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The New Dotcom Millionaire

In less than a decade, Sanjeev Bikhchandani has turned a garage start-up into India's only listed internet company worth Rs 1,000 crore on the stock markets. Where does he go from here? By Kushan Mitra

It's a recent wintry morning, and Sanjeev Bikhchandani is sitting in a shoebox cabin at his corporate headquarters in Noida, near Delhi. "I never knew going public would require so many of my signatures," he grumbles, trying to clear a small pile of papers on his table. It has been just six days since his internet company InfoEdge began offering shares in itself to public, and much to the 43-year-old entrepreneur's delight, the IPO has been oversubscribed 55 times. There are reasons why Bikhchandani should feel proud about it. For one, it's the first internet stock to list in India and the first since Sify and Rediff listed on the nasdaq during the dotcom boom days of 1999-2000. For another, InfoEdge, which owns the country's #1 job portal, Naukri.com, stands to unlock about Rs 1,000 crore in shareholder value. Not bad for a portal that was born in a garage less than 10 years ago.



Looking for a job, house or a partner? Bikhchandani has it all covered via his three portals

The listing (slated for between November 21-24, well after BT went to press) will also turn the young entrepreneur into a millionaire-his 43 per cent holding in InfoEdge puts his net worth upwards of Rs 370 crore (assuming the stock lists at the issue price of Rs 320)-and get him shoulder-rubbing with the other dotcom millionaires, Sify's Raju Vegesna and Rediff's Ajit Balakrishnan. Bikhchandani, who only recently disposed his 10-year-old Opel Astra (and bought a Honda Accord) after being left high and dry on a family vacation, takes pains to clarify that his worth is all 'notional', but he's fooling no one.

What's got investors so excited about InfoEdge? One is the fact that it's the only dotcom to list in India and, hence, serves as a proxy for the new economy opportunity. Two, InfoEdge itself has been growing rapidly. Four years ago, it had revenues of Rs 3.78 crore and a loss of Rs 3.26 crore. Last financial year (ended March 31, 2006), it had revenues of Rs 84 crore and a net profit of Rs 10 crore. In the first quarter of this year, it upped revenues to Rs 29.23 crore and net profits to Rs 5.89 crore. If the company continues to double its

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revenues and profits every year for the next two, the stock will trade at approximately 30 times its 2006-07 earnings and 20 times 2007-08 earnings. A pre-IPO report from brokerage firm Anagram says, "Looking at the prospects of the business and the track record of the company, we expect it to maintain the same growth trajectory going forward."

The InfoEdge Empire

It runs three portals and an offline executive search firm. But Naukri is the jewel in the crown.

Naukri.com: India's leading job-search portal, started out in March 1997 as a basic HTML website, now incorporates the latest Web 2.0 technologies. Companies pay money to post listings and placement consultants pay to mine Naukri's database of millions of resumes

Quadrangle: An offline executive search firm that InfoEdge acquired in November 2000, this division helps companies find executives for high-end management or technical positions

Jeevansathi.com: Started in 1998, but spun off and acquired back in September 2004, this is India's third largest online matrimonial site. Users can surf for life partners, but need to pay for contact information

99acres.com: Started in September 2005, this is a real estate classifieds site, where consumers can search freely for apartments and houses, while realty developers and brokers pay for listing

40 per cent a year, meaning that companies are constantly recruiting. For Naukri, that represents a huge growth opportunity. Says Bikhchandani: "You could say that we have benefited from the huge demand for talent in this economy."

When people get jobs, they like to get married and buy a house too. That's roughly the reasoning behind InfoEdge's forays into two other

While InfoEdge has two other portals, Jeevansathi.com and 99acres.com, and an offline executive search division (see The InfoEdge Empire), it's Naukri.com that makes it so valuable. Currently, the size of the online recruitment industry is estimated at Rs 135 crore and is said to be growing at 35 per cent year-on-year. Bikhchandani believes that a growing economy, especially the services sector within it, will create opportunities for thousands of new jobs, and recruiters will move the process of recruitment online for reasons ranging from convenience to costs to better targeting of potential employees. For instance, just the IT/ITEs industry, he says citing NASSCOM numbers, will grow to \$60 billion (Rs 2,70,000 crore) in exports by 2010. That will mean recruitment of software engineers and call centre agents by the thousands. Already, attrition rates in this industry range between 25 and

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dotcom segments: matrimonials and real estate. Indians spend an estimated Rs 50,000 crore annually on weddings and wedding-related stuff, and online matchmaking hopes to get a slice of what has traditionally been an involved offline process (that is, the search for a life partner). Similarly, the overall real estate market is currently worth a staggering (and fast-growing) Rs 2 lakh crore, and InfoEdge is looking at a very small part of it-property hunting. "The company is diversifying its portfolio, and has huge potential to ride along with the booming Indian economy," says the Anagram research report.

How It All Began

Until 1990, Bikhchandani was a Marketing Manager at Hindustan Milk Marketing (now GSK Consumer). Then, one day, he decided to turn an entrepreneur. He launched InfoEdge out of his father's garage in Delhi's Swasth Vihar, with the original idea of doing salary surveys. In his two years at hmm, Bikhchandani had often noticed that his colleagues would always start with the back pages whenever they read a business publication. As he discovered, the back pages carried all the appointment advertisements. Then, in 1991, the Department of Telecom (dot) came out with a proposal to launch a videotext service that people could subscribe to, and asked private developers to come up with proposals. Bikhchandani prepared a presentation on the potential for job searches through such a service. However, as with many things those days, the dot proposal never saw the light of day.

His business pottered along for a few years, earning decent money, but nothing substantial. However, a downturn in 1996 made Bikhchandani take up a job with The Pioneer, a job that he says was to hold him in good stead in the years to come. But it was a chance visit to it Asia at Pragati Maidan in Delhi in late 1996 that was to change his life-this is where he first heard the word 'internet' and a few days later realised that the proposal he had made to the dot could easily be resurrected on this medium. In March 1997, still operating out of his father's garage and with his brother paying for server space in the us, Bikchandani's text-only Naukri.com went live. India had a total of 14,000 internet connections those days, and most of those were text-only connections. Yet, at the end of a year of operations, Naukri had made Rs 2.35 lakh and by the close of 1998-99, it made Rs 18 lakh. Bikhchandani and his collaborators knew they were



"Jeevansathi isn't very strong in the NRI segment, but it has its strengths elsewhere and we will work towards improving those"

Hitesh Oberoi
COO/InfoEdge

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onto something.

But late in 1999, Bikhchandani started facing new challenges. The internet was on everybody's lips and other companies had begun to enter the sphere of online job listings. Realising that Naukri was competing with rivals with far greater financial muscle, Bikhchandani, who had initially never wanted funding, decided that some money would be essential to survive. Despite several funding offers, he settled on ICICI Ecotec (now merged with ICICI Venture), which valued the firm at Rs 45 crore and took a 15 per cent stake for Rs 7.3 crore. The funding deal was closed in April 2000, days after InfoEdge had declared revenues of Rs 36 lakh for the year 1999-2000. A few months later, the dotcom bust would hit the world.



Surviving the Bust

In late 1999, Bikhchandani made two decisions that would change InfoEdge forever. The first was to accept funding, and the second was to hire Hitesh Oberoi, an IIM-Bangalore and IIT-Delhi grad, who was then heading the regional ice-cream business of Hindustan Lever and had come to Bikhchandani for career advice on whether to join a dotcom from whom he had an offer. Before Oberoi knew, he was heading InfoEdge's marketing operations and one of the first things he did was to adopt an offline business model by recruiting sales people to actually go to companies and make sales.

Early days:

Bikhchandani at his home-office circa 1991

Much to everybody's surprise, it soon became apparent that the sales people were 'breaking even' within three months of being hired. The company rapidly expanded its sales team and, crucially, its sales reach, with offices being set up in Mumbai and Bangalore, just as the IT services boom was about to hit the Indian economy.

Oberoi also played an important role in almost forcing Bikhchandani to change the 'look and feel' of the site. "I was rooted in Web 0.0, believing in pure text," Bikhchandani jokes. He also agreed to spend money on over-the-line marketing. In 2000, Naukri became one of the first firms to use the scrolling advertisement on TV. With TV channels not realising the potential for this form of advertising, Oberoi sealed amazing deals. "We got 8,000 seconds of TV time during the Olympics in 2000," he says, "for Rs 3.5 lakh. That is a steal any which way you look at it." Hits shot up, as did resume submissions past the 1,000-mark a day. Despite better-funded (and Bikhchandani notes, better-

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engineered) competition, Naukri retained the top spot-even though there is no accurate way of measuring page hits (Bikhchandani says he gave up on that a while ago). Naukri's brand positioning created all those years ago has stood it in good stead, with more than 10,000 resumes added daily now.

But Bikhchandani attributes another factor to why InfoEdge survived the bust. During his time in The Pioneer, the newspaper experienced some extremely difficult times financially, and he played an instrumental role in resolving some of these problems. So, when the dotcom bust happened, Bikhchandani knew that the only way forward was to batten down the hatches and live off a bootstrap budget, because, "I knew I wasn't going to get a second round of funding".

In the business plan that Bikhchandani had presented to ICICI, InfoEdge was expected to have revenues of Rs 12 crore by 2005-06. It zoomed past that number in 2003-04, posting revenues of Rs 19 crore and the company declared its first profit of Rs 76 lakh. This enabled InfoEdge to buy back a majority share in Jeevansathi.com, a site the company had spun off in 2000. It also allowed Oberoi to convince Bikhchandani to spend money on something more substantial on the advertising front (the company spends a fifth of its revenue on marketing). After a misadventure with a local firm, Naukri appointed FCB Ulka as their agency, and a series of memorable adverts were made, culminating in the extremely popular 'Hari Sadu' commercial.

It was around this time, Bikhchandani decided that the time was right to go public. "China's largest online search, 51job, had recently gone public (on NASDAQ) at incredible valuations and investment bankers were trying to convince me to do the same," says the man. "Even though ICICI Venture had never put any pressure on me to go public, I had wanted to ever since I had taken funding. But after visiting Hong

THE BIKHCHANDANI ESSENTIALS

AGE: 43

EDUCATION: BA Economics, St Stephen's College, 1984; PGDM, IIM Ahmedabad, 1989

WORK EXPERIENCE:

Account Executive, Lintas (1984-1987); Brand Manager, HMM (1989-1990); Business Development Manager, The Pioneer* (1996-2000)

FAMILY: Married, with two children

MANAGEMENT PHILOSOPHY: Run an open organisation, and delegate responsibility

*This was in addition to running InfoEdge



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Kong and Singapore, I decided that I didn't want to list abroad." So, that's how InfoEdge ended up offering its shares in India.

The Road Ahead

But being a publicly-held company is, as any CEO who heads one will tell you, a double-edge sword. While it does create wealth, it also put enormous pressure on the company to deliver ever-larger profits. No doubt, Naukri is the current market leader with a traffic share of 55 per cent for July 2006, according to Comscore, a website traffic monitoring firm. But all of its old and new competitors are larger as business groups. Monster.com, #2 in India, is a billion-dollar jobs portal based in the us; TimesJobs is part of media giant Bennett Coleman & Co, publishers of The Times of India and The Economic Times; JobStreet, which has partnered with tv18, has a strong presence in Asia, with revenues of 55 million Malaysian ringgits (or Rs 67 crore). "The job market in India is booming, and we would be stupid to believe that there will not be competition," Bikhchandani admits.



"Sanjeev is diligent. He has also been fortunate with the people he has hired and the management team that he has built"

Saurabh Srivastava
Angel investor

With more Indians going online and thus shifting away from traditional classifieds in the newspapers (reports suggest that online sites already dominate job listings), Bikhchandani believes there is enough room for four-five players. "We will continue to offer unique services to our customers," he says. As an example, Bikhchandani talks about how Naukri has recently started to offer SMS job alerts, "The idea was born out of customer need for a client in Pune and we offered it." Naukri was also the first (and to date only) online job portal in India to offer really simple syndication (RSS) feeds of relevant jobs. "We will adapt Web 2.0 technologies if we feel they can improve the user experience," Bikhchandani says.

Meanwhile, Jeevansathi and 99acres are only beginning to make money for the company. In the last three financials years, they have provided an aggregate of only 6 per cent of the company's revenues. Is InfoEdge, therefore, a one-hit wonder? It is not as if InfoEdge hasn't shut businesses before-it started two sites, *Indiaventure2000* and *Roltanet*, soon after it received funding from ICICI, but quietly shut them down.

"Jeevansathi.com is number three in its segment, it isn't very strong in the NRI segment or South India, but it has its strengths elsewhere and we will work towards improving those," says Oberoi. On 99acres, Bikhchandani says that online realty searches are

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still a novelty in India, "but we believe it is a segment that is waiting to boom, because people want targeted and relevant searches." He also believes that brokers and developers will soon realise that online is a far better way of getting their message across than through traditional classifieds.

Saurabh Srivastava, an it-entrepreneur-turned-angel investor and now a member of the InfoEdge board, believes that Bikhchandani's success is well earned. "Sanjeev has been a very diligent and dedicated entrepreneur, but yes, I would say he has also been fortunate with the people he has hired and the management team that he has built around at InfoEdge," says Srivastava. Perhaps, it is to Bikhchandani's credit that he has been able to hold onto most of his key executives. He hasn't just allowed them to grow and take on greater responsibility, but also shared company stock. Oberoi, for instance, owns 7.6 per cent of InfoEdge.

As Srivastava points out, the space around InfoEdge is growing at a fantastic pace, and the company is not a start-up anymore. Bikhchandani will have to expand his management team and take on greater risks. And whether he likes it or not, Bikhchandani's success henceforth will be measured not by the number of resumes in Naukri's database or hits per day, but the price of InfoEdge's stock. That's just the way it is. One thing is for sure, though. India's newest dotcom millionaire is in for some exciting times ahead.