

Why Sanjeev Bikchandani, the Naukri man, wants to be a builder and funder with Info Edge

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http://articles.economictimes.indiatimes.com/2015-01-15/news/58108918_1_zomato-deepinder-goyal-pankaj-chaddah

Every month some 30 million people seeking to satisfy their gastronomic cravings by visiting Zomato, the popular restaurant discovery service, co-founded by Deepinder Goyal and Pankaj Chaddah. In London, people want to know more about the ambience, in Kolkata they want to know more about the food. The nuances are many and Zomato caters to all quirks and palates.

Zomato itself has a distinct global flavour. This week, it took its biggest bite with a \$ 52 million acquisition of Seattleheadquartered Urbanspoon, entering the US, the largest and most competitive market. The acquisition also gives Zomato leadership in two other markets, Australia and Canada.

Back home, news of Zomato's acquisition, its global ambition and its huge appetite — six acquisitions in five months — pushed share prices of Info EdgeBSE 0.95 % (India) up on a day the BSE Sensex was down. But why the boost for Info Edge? The internet company, founded by 51-year-old Sanjeev Bikchandani, is Zomato's single largest shareholder with a 50.1% holding.

Bikchandani spotted Zomato early and made a \$1 million investment in it five years ago, and followed it up with five more rounds of investment worth a total of Rs 327 crore. Its investments in Zomato are now worth over Rs 2,030 crore.

This is one of the two things Bikchandani is known for. Finding and funding early stage startups and mentoring them to success. Info Edge has invested about Rs 570 crore in backing nine companies like Zomato. Sure, a few deals have gone bad — it wrote off about Rs 35 crore in three of its investments, StudyPlace, 99labels and Floost. But there are more big successes like Zomato.

Info Edge was again an early investor in PolicyBazaar, a portal that helps users compare and choose from different insurance products. At a fund raising last May, PolicyBazaar was valued at \$100 million and Info Edge now owns 23% in it.

How Bikchandani works

EYE FOR OPPORTUNITY AND QUICK TO MOVE ONCE HE SPOTS AN OPPORTUNITY

- Invests only through Info Edge.** Makes no personal investments because it may lead to conflict of interest
- One of the few internet entrepreneurs** whose firm, Info Edge, is riding both the last internet boom in 2000 and the current internet boom
- Marries predictability (Naukri) with risk-taking (investments in new internet ventures) as a business model**
- As an Investor,** follows a philosophy of offering advice but not forcing it. Believes entrepreneurs are best positioned to run their companies
- Entrepreneurs** say he is like an older brother rather than a big brother — supportive of decisions and offering advice

WHAT BIKCHANDANI IS BUILDING WITHIN INFO EDGE...

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| Naukri.com | Internet jobs destination, about 130,000 job listings, 39 million resumes |
| 99acres.com | Real estate portal with 18,000 paying agents, 4,000 paying developers, 54,000 paid listings |
| Jeevansaathi.com | Matrimonial site, the third largest player |
| Shiksha.com | Online education classifieds, no direct competitors |

But the first thing Bikchandani is known for, of course, is his ability to successfully build internet businesses within Info Edge. He is often referred to as the 'Naukri man'; Naukri being one of India's top job portals. 99acres and jeevansathi.com are two more such examples (see table).

Bikchandani is both a builder and a funder. The remarkable thing though is that he has persuaded public shareholders to back him. Info Edge went public in 2006 and non-promoter shareholders own over 55% in the company.

Investors demand that listed companies deliver predictability of revenues and performance. How did Bikchandani get public shareholders to back his plan to build a portfolio of early stage and high risk startups? "Naukri is stable and predictable. The others less so. So it is a blended model with some volatility because of the other businesses.

But by and large, investors are well-informed and well-researched and they factor this in their decisions," says Bikchandani. He expects the top three growth engines for Infoedge in the next few years to be Naukri, 99acres and Zomato.

Bikchandani says that as the company is growing and is of a certain scale, profitable, with a strong brand and a market leader, he sees no reason why investors will not understand the model. Naukri, which contributes more than half of Info Edge's revenues, has a stable and predictable revenue stream. It also contributes more than 100% of the profit — surpluses from this business unit goes into other ventures. By building Naukri successfully, he has earned the right to fund other businesses outside Info Edge.

In the last 12 months, Info Edge's share price has gone up from around Rs 500 to around Rs 850, and its market capitalisation is now close to \$ 1.7 billion (Rs 10,385 crore).