



“Justdial Q4 FY15 Earnings Conference Call”

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**MANAGEMENT: MR. V. S. S. MANI – FOUNDER & MD, JUSTDIAL.
MR. RAMKUMAR KRISHNAMACHARI – CFO, SENIOR
MANAGEMENT, JUSTDIAL.**

**MODERATOR: MR. GAURAV MALHOTRA – CITIGROUP GLOBAL
MARKETS INDIA PRIVATE LIMITED.**

Moderator: Ladies and gentlemen day and welcome to the Justdial Q4 FY15 Earnings Conference Call hosted by Citigroup Global Markets India Private 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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Malhotra of Citigroup Global Markets India Private Limited. Thank you and over to you sir.

Gaurav Malhotra: Thanks. Good evening everyone and welcome to Justdial Fourth Quarter FY15 Earnings Call. We have with us Mr. V. S. S. MANI who is the Founder and MD of Justdial, Ramkumar the CFO as well as the Senior Management. I would request the management to give their opening remarks after which we will open for Q&A. Over to you sir.

Ramkumar Krishnamachari: Thank you Gaurav and good evening friends. I will begin by giving the stating with the financial overview I will start with yearly performance, then into the quarterly and then I will give some operational and other non-financial information. Starting with the financial highlights for the year ended FY15. Starting with revenue we ended the year with about 590 crores of revenue which is about 28% growth over our EBITDA was around 184 crores growth of about 29%, EBITDA margin was at 31%. Net profit increased by about 15% to about 139 crores. Profit margin was at 22%. Cash and investments stood at about 815 crores at the if we look at the market value it will be more than about 850 crores and deferred revenue increased by about 30% to 210 crores. Of the year we had a good year on the revenue front the initiatives that we had taken on the man power increase showed results and we will continue this initiatives and into the FY16 as well. And we will only intensify our efforts to expand and invest in whatever is needed to fuel the growth. To the quarter ended four, our operating revenue increased by about 26 to 156, adjusted operating EBITDA increased by about 9%. I will talk about the adjustment that we had, so one time spent that happened during the quarter. Adjusted operating EBITDA margin increased by about 300 basis points previous year, net profit increased by about 38 crores, profit margin stood at 26. The quarter had couple of expenses which we incurred one is the ESOP expense which is applicable of the year as well. As you know we had given about 700,000 option most of which had started this year and from Q3 onwards primarily, so flowing into Q4 that was one cost second was, one-time expense of restructuring of salary for employees which resulted of about 2.19 crores on gratuity. At these two margins that I have started for looking at.

Coming to some of the other highlights and we end up the year with about 331,000 campaign, this was the growth of about 26%. During the quarter we added about 1,400 campaign. Q4 has been a good quarter for us from in terms of both campaign addition as well as overall sales. However you may not have seen that in the sequential revenue growth primarily two factors one is, he had two less number of days in terms of calendar days, accrue of revenue 1x365 over the period of contract, then we had not so good quarter in Q2 which sort of impacted results in

Q4 we had mainly primarily due to holidays but we have said earlier we have taken initiative to make sure that the growth momentum continues. As of March 15 we were conducting about 15 million, sorry we had total about 15 million listing, growth of about 27% and we added about 1000 employees during the year and end with 9500 the employee addition was mainly in about roughly about 750 to 800 in sales and marketing. Departments including technology and we believe that this trend will only intensify we will add more than around 1000 to 1500 in FY16 as well. With that I hand over to Gaurav back and we would be happy to answer any questions.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Nikunj Doshi from Bay Capital. Please go ahead.

Nikunj Doshi: Just had one question regarding the by back that we are planning, while most of the internet companies are raising funds and are looking for acquisitions at this point in time why are we looking to do a buyback?

Ramkumar Krishnamachari: Mani you want to take that on?

V. S. S. MANI: Yes, actually we have descent funds with us and we explore possibilities of acquiring M&A opportunities in the last about 8 to 9 months and we didn't see anything substantial in the market and only the cash is piling up we thought like we should probably either give a rich dividend or something like a buyback at the prices if it's attractive it's not a decision yet taken but the board has to take a call on that.

Nikunj Doshi: Okay. Thank you.

Moderator: Thank you. Our next question is from the line of Omkar Hadkar from Edelweiss. Please go ahead.

Sandeep: Hi Sandeep here from Edelweiss, thanks for taking my question. Mani sir I have couple of questions, one can you through some light on our progress on the Search Plus I understand that we have now 24 services already on the app and there is some more work which probably we are developing there so what is the right kind of timeline which we can expect when you can go for a full flow launch of the app and secondly another question I have from Ram what is the amount of impact if any from this campaign if there is any impact of marketing cost because of this app in the current quarter or is there no impact and if there is no impact what has really hit our margins as we are just operating leverage or something else.

V. S. S. MANI: The full fledge launch should be done in July for sure both for iPhone and Android and rest the question to Ram, Ram you want to answer.

Ramkumar Krishnamachari: Definitely as far as the advertisement spent the Q4, you are talking about Q4 margins right?

Sandeep: Correct.

Ramkumar Krishnamachari: Q4 margin there is couple of things, one you have to look at the 2.92 crores that I talked about if you add that back on the EBITDA and you add the ESOP cost back margin comes to 33%, plus there is one more thing we had given some manager and other incentive to sales staff which is for the year FY 15 but actually those happen decision took place in Q4 since the entire cost came in Q4 so while we have not mentioned that as specific but that's one of the reason why the margin if you will see in sequentially has sort of dropped that is the only reason otherwise if you look to normalize these the margins were there in line about.

Sandeep: So basically what you are trying to say and if I understand that right that if I do the adjustment of ESOP in the previous quarters as well then probably there is a 300 bps decline when I adjust your gratuity as one time and also the ESOP in this quarter and the previous quarters but still after that there is a 300 bps kind of decline so shall I assign that as the incentive which you would have paid to the managers as we are referring to?

Ramkumar Krishnamachari: Absolutely.

Sandeep: Thank you, that is all from my side.

Ramkumar Krishnamachari: That is about 300 people during the quarter.

Sandeep: Yes, this was basically in the sale side or they are on the development side?

Ramkumar Krishnamachari: No, mainly on the sales side.

Sandeep: Thank you.

Moderator: Thank you very much. Our next question is from the line of Arya Sen from Jefferies. Please go ahead.

Arya Sen: So firstly if you could just through a little bit of more light on the buyback what will be the quantum is there a maximum share price and does this mean that the 1000 crores of money which you were planning to raise is now not going to happen?

V. S. S. MANI: 1000 crores definitely we are not raising I think the buyback will be as per the regulatory thing I think what Ram would be able to explain it better.

Ramkumar Krishnamachari: So as per the regulation we can do maximum of the 25% of share capital of pre reserves which as of March comes to about roughly 170 crores and price will be determined again as per statutory regulation which will be average of past six months last two weeks before the buyback whichever is higher and so it's a process that may take couple of month or

more because once the board approves then we go back to the shareholders and then that is how the timeline is.

Arya Sen: Right. And sir that 25% is as per the companies act whereas but isn't there a 15% as per SEBI is it 25% that would be applicable or 15% because I thought the SEBI buyback norms had 15% and the companies act says 25%.

Ramkumar Krishnamachari: We will have to discussion this in the board meeting on 4th, we will once deliberate this and come back.

V. S. S. MANI: I just want to add a point here, 25% is as per the companies act even the regulations also allow it there are two types of buyback one is by way of tenders, another one is by way of open offer, we have not yet decided that would be discussed at the board.

Arya Sen: Okay. Secondly you said that you launched the 24th Search Plus service this quarter so that is that which one is that?

Ramkumar Krishnamachari: I will just come back on the 24th one.

Arya Sen: Okay, the next question is in terms of so when you said that you will, there will be a full-fledged launch in July does that mean the ad campaign will also start in July, what's the timeline for that?

V. S. S. MANI: Ad campaign would follow up to the launch may be somewhere at the end of July or may be in August.

Arya Sen: Okay, and what's the quantum that we are talking about again if you could just reconfirm that number for the ad campaign.

V. S. S. MANI: We just said we can go up to 100 crores if required but that will see it will be in different spurts so first lot will see how it's response and accordingly we will take a call.

Arya Sen: Okay, sure. And I thought last year may been in the fourth quarter call you were talking about doing it in FY15 but it has gotten a bit delayed any particular reason for that?

V. S. S. MANI: We decided to go for an overall revamp for the look and feel of the site also, so all the search and transact capabilities are in place we thought we should be make it more modern and more contemporary, more international looking app so that is the reason that it got postponed by six weeks.

Arya Sen: Okay. And once you launched Search Plus what sort of disclosure can be expect on it in terms of anything that you will be able to share in terms of cross booking or the number of tractions or anything like that any thought on that yet?

V. S. S. MANI: That we would like to share as in when we feel comfortable to share all these numbers with the market because being a public company you have to be careful also there are lot of private players out there who do not share any such data and they keep it guarded as most of internet space is private today so we have to be careful about what to give, what not to give.

Arya Sen: Sure. And last question from my side, you have stopped giving the total search matrix because I think last year full year you gave something.

V. S. S. MANI: We are giving total search matrix and our growth in search is about 35.47% on a year-on-year basis.

Arya Sen: Okay, sir if you could share those numbers again because I don't think I have...

V. S. S. MANI: 35.47%.

Ramkumar Krishnamachari: As part of the presentation that we will upload.

Arya Sen: Okay, it's not out yet right?

Ramkumar Krishnamachari: Not yet, not yet out.

Arya Sen: Okay, that is all from my side thank you so much.

Ramkumar Krishnamachari: Arya the 24th service was bills and recharge.

V. S. S. MANI: Bill payment and recharge.

Ramkumar Krishnamachari: Yes, see we had number of services launched we didn't knew what was the 24th so that was the thing.

Moderator: Thank you. Our next question is from the line of Niket Shah from Motilal Oswal. Please go ahead.

Niket Shah: Just wanted to know out of the 15 million free listings that we have are there some international listings also part of that 15 million or it's all domestic or plain vanilla listings which account for that 15 million listing.

Ramkumar Krishnamachari: All domestic.

Niket Shah: Fine, and over and above whatever international exposure you have whether in UK or whatever that is over and above this 15 million?

Ramkumar Krishnamachari: Absolutely.

Niket Shah: Okay, and my second question is what would be our margin guidance for FY16 assuming the impact of advertisement spend assuming the impact of ESOP cost or gratuity or whatever one off will incrementally come and hit in FY16 what will be our margin trajectory that we are looking at?

Ramkumar Krishnamachari: Okay, Niket if you let me exclude the onetime expense and I would say even excluding ESOP I would maintain that it should be a stable margin and 31% we felt that we would be able to maintain that, if we were to factor in the ESOP cost in like to like basis there won't be much change in the margin year on year.

Niket Shah: Sure, so whatever incremental hit will come next year will only be because of marketing spend which will make the margins look much lower as compared to Fy15.

Ramkumar Krishnamachari: To some extent we may come from ESOP that because in first two quarter of the previous financial FY15 we didn't have the ESOP cost so you will have to do that normalization.

Niket Shah: Sure. And in case would it be possible for you to quantify some of the early tractions within Justdial Search Plus category which are the categories which you have started to see good traction, these might be early days and there would be some of the issues small teething issues within individual of those categories but if you can just highlight top four-five services and some numbers around and just to get a flavor off how the traction has been?

V. S. S. MANI: Niket we will let you know all these things when we are ready to give the market but we are seeing tractions in all types of categories and including people buying various products and service in fact average ticket size is about Rs.17,000 for purchases that are done 17 or 14?

Ramkumar Krishnamachari: 17,000.

V. S. S. MANI: Rs.17,000 it's quite a hearting thing to note that people are having so much confidence to buy such high value products through us, average ticket size is 17,000 you can image now.

Niket Shah: For all the transaction put together?

V. S. S. MANI: No, just on buying I am talking about online shopping, apart from that there is ordering food and certain things are not quantifiable like and stuff like that. Overall we are happy with the way it is and we are using this as a big large scale testing and try to improve our products, we have seen lot of traction even in travel including bus ticketing, flight booking even bill payments, recharge everywhere we have seen huge growth.

Niket Shah: Sure.

V. S. S. MANI: Annual booking.

- Niket Shah:** Sure. And we would be also undergoing a revamp as far as our website as well as app both is concerned so you will have a completely new app as compared to what you can feel which is there currently is that.
- V. S. S. MANI:** This will be the mobile side app and then would see the revamp of the website also it is all in progress.
- Niket Shah:** And all of that would happen before the official launch of Justdial Search Plus.
- V. S. S. MANI:** Yes, of course.
- Niket Shah:** Okay, got it thanks so much and best of luck.
- Moderator:** Thank you. Our next question is from the line of Rajiv Sharma from HSBC. Please go ahead.
- Rajiv Sharma:** So sir what was your ESOP expense for this physical FY15 and what should we assume for the next fiscal?
- Ramkumar Krishnamachari:** It was about 15.6 crores was the expenses for FY16 and we believe that quarterly basis last quarter we had 6 crores so we can assume similar expenses on a quarterly basis for the next as well so about 24 crores, and as we mentioned total cost should be about roughly 100 crores which will be spread over five to seven years.
- Rajiv Sharma:** Okay, and this gratuity is one time it's come into the cost now there is no more Y-o-Y increase expected in this.
- Ramkumar Krishnamachari:** Absolutely.
- Rajiv Sharma:** And what about the incentives which, how should.
- Ramkumar Krishnamachari:** No, that will be part of the normal cost because all I am trying to tell was the quarterly moment because otherwise that incentive should have been spread in four quarters.
- V. S. S. MANI:** We decided and that got budgeted in.
- Rajiv Sharma:** Okay. And anything which you are considering in terms of last mile delivery or in terms of having your own delivery team or anything's on those lines because, so there is lot of action in the hyper local O2O market but most of these like Food Panda or all these apps, all these starts up are having their building their own team in terms of delivery so any thoughts on those or no you think that it's not something which you would like to focus on?
- V. S. S. MANI:** Very much we are actually running pilot right now and that is we are seriously considering hyper local fulfilment which is within two kilometers radius and this is for products and

services where it requires instant gratification so, you would see us investing more on that and this is completely technology enabled it's more like how you see this cab hailing apps is this some app like that which you would be able to integrate and the delivery boys will on the spot available and you could expect delivery within an hour any product that you order within your own vicinity.

Rajiv Sharma: So you have got any plans for that Mani in terms of what's going to be the size and how you will roll out metros first and then other markets, so any plans for given that you are aware that you will be launching in July so any plans, blue prints you have or it's just test as of now?

V. S. S. MANI: In this quarter we will try couple of pin codes and by the next quarter we would have scaled to about 15 to 20 pin codes in different cities and then we would look at scaling it on a pan India basis.

Rajiv Sharma: And will this mean third party or it will be your own delivery team?

V. S. S. MANI: Initial pilots are done with our own team and then it will be third party only.

Rajiv Sharma: And any investment amount you can assign to this?

V. S. S. MANI: Nothing substantial, whatever we invest we write it off in the same month.

Rajiv Sharma: Right. And Ram if you can help us explain what was your ad expenses this fiscal and that is it, that is my last question.

Ramkumar Krishnamachari: Ad we spend about roughly 17 odd crores this year and obviously it's likely to change in FY16.

Rajiv Sharma: And you plan to add any man power next year?

Ramkumar Krishnamachari: Absolutely we are looking at least adding minimum 1000, anywhere between 1000 to 1500 people mainly on the feet on street.

Rajiv Sharma: Okay. Thank you so much and all the best for coming quarters.

Moderator: Thank you. Our next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar: On the listings businesses I mean, I am just trying to understand our listing growth was 27% and the revenue growth for the year was 28% so the price hike in the listing business would have been very marginal through the year is that a fair assumption?

Ramkumar Krishnamachari: The pricing campaign you have to understand doesn't work like that is factor of multiple variable as you know we are expanding aggressively in Tier-II smaller cities as the ticket size is low so that will tend to drag the average down as with the base increasing the number of existing people paying us more it will tend to drag the average up. So it will be a mix, the net impact will be a mix of both of these on couple of other variables as well. So it will be very difficult for us exactly pin point maintain that average ticket size per campaign may go up or down couple of percentage points depending on relative impact of these variables at any given point of time. So I would say that yes growth will be driven by volume which is what grow overall the campaign grew by 26 and revenue grew by 28 rest driven by the pricing.

Saurabh Kumar: So sir I understand the next issue, it's a fair comment I am just trying to understand will this sustain for the next one or two years as mix issue or do you think like because you may be taking up price hikes but maybe that is getting negated by the mix so I am just trying to understand.

Ramkumar Krishnamachari: That is what I am trying to tell so whatever, then if we take some action it will ultimately boil down to all of these putting together and relative impact of that, we normally don't do much because we allow the algorithm to sort of determine it, don't do much of tinkering with it though we look at some opportunities whenever we find, lot of readjust some of the assumptions in the algorithm but, by and large you will see that the growth will be driven by the volume growth.

Saurabh Kumar: Fair enough understood. And sir the second question is on Search Plus so the competition is essentially doing like a lot of cash back and discounting even in a market place model which you are trying to get to and we have a lot of cash on our book which as Mani said it's idle, wouldn't you consider like you using that promotion or somebody cash back schemes rather than doing a buyback.

V. S. S. MANI: Cash back is not a sound business practice according to us. I think we should focus on building such a great product that share convince and a competitive price at which people are able to buy should be good enough reason for them to use JD rather than coming to JD for some cash back or other financial benefits. And that kind of doesn't work with us because our DNA is different and I don't think I personally believe that this is not here to stay most of these companies will realize that these kind of customers they are acquiring are like fickle they are here today with them and tomorrow they are with someone else who is giving a cash back or whatever, they are lot of mature buyers in the market who don't care about these things and they are the ones who need a rock solid product like what JD is building is one place where you can do not just buying your products you can do your pretty much everything your travel, your entertainment, even things like buying car insurance to life insurance to everything and it's so nicely done that you would see that once you get used to the product you will never give any other product a chance despite whatever the financial attraction they may give you. This I

am referring to a class of people who are really moneyed they are 30-35 plus. There it is not that they would go for rupee they can get, they want to organize their life and make life easy and comfortable and at the same time able to pay the right price for products and service and that is what we are doing with the Justdial app.

Saurabh Kumar: Okay, so I understand that but I am just saying like Amazon, everybody is like there is some cash back right now on every major website or other company so I am just wondering like JD can be the only even though you may not believe in it but can you be really out of this, so any comment, the last question is essentially on JD Cash so there was a thing wherein you of October of last year said that you want to get into micro payments is that plan sure.

V. S. S. MANI: That is almost done but I think we would delay it by one quarter to launch it, the Beta is ready we are testing on it because it is a bit of cash involvement and financial transactions we want to be 100% sure about the way we go about it. Yes, it will allow you to make such micro payments including your own newspaper vendor to milkman to anybody you can pay through this and avoid dealing in cash with them.

Saurabh Kumar: Okay, fair enough thank you.

Moderator: Thank you. Our next question is from the line of Hiren Dasani from Goldman Sachs. Please go ahead.

Hiren Dasani: Mani just wanted to get your sense about the listings now obviously over the last three years we have doubled the listings, and 15 million odd listings now, do you think that there is much more scope of growing the listings from here on or going forward it should be more tepid and your revenue growth should be more driven by converting more of them into the paid campaigns.

V. S. S. MANI: Yes, our revenue growth has not been so much dependent on the total number of listings because when you talk about adding more listings we are going to Tier-II, Tier-III, Tier-IV towns and cities trying to comb every bit, every nook and corner of the country. So there is still potential to take it to up to 20 million we have given it a pause for a while now and then we are going to kick start it again with this whole large scale Evangelist program and the program that we are going to launch soon. Percentage of paying customers should look up in the coming times because of various reasons one is the ecosystem and small and medium business is realizing that they need to have an online strategy and for them online strategy is in their search destination or a market place like Justdial so that is where they would spend first their money and then think about building their own websites and other things which is not going to yield them that response that they would get from a market place like Justdial. And apart from that there are certain strategies that we are going to use it as a hook to get more and more people into the Justdial ecosystem as paying customers.

Hiren Dasani: Okay. And the other question is on the delivery related service initiatives, delivery related initiatives in the service sector so, would that bring you closer to some of the other hyper local websites which also undertakes the fulfillment or in your case the fulfillment will be driven by the local SME only?

V. S. S. MANI: The particular one that I mentioned about hyper local fulfillment that JD is taking the initiative that will be JD fulfilled hyper local logistic which means that if you order food from a restaurant or grocery or a medicine through Justdial that fulfillment will be taken care by JD but this is limited to a two kilometer radius which is very-very hyper local in nature. Just because we identified there are list of products and services where there is your consumer is looking for an instant gratification, instant delivery is expected there we felt that we need to use far more technology to make it happen and obviously without human being you can't do delivery right now, so there will be a human element also so we deployed a technology which is very sophisticated in fact the same technology will be used for a launch of new service that we are going to launch soon, which is basically on demand services like on demand plumber, electrician, or a TV repair fellow or a carpet cleaner, name it on demand you can just click on, you can say plumber now there will be a tab you click on that and then you will have a plumber showing at your house within an hour or an electrician showing up within an hour and this would be expanded to the length and breadth to the country in every part of the country we would be using that. So the same technology is also use for delivery services which should be a very hyper local in nature. Apart from the hyper local delivery there is a delivery we are leaving it to the vendor right now.

Hiren Dasani: Okay, and just last thing on the, so in that sense you are in some sense you are getting closer to the other e-com websites right.

V. S. S. MANI: Just a slight bit of difference see, this we are doing because this is what the consumers are expecting, now as far as shipping a television or for that matter a camera or a mobile phone from distance of 20 kilometers or 15 kilometers is what is not required because those vendors are already well in shaped to do the delivery and there is lot of the thing to benefit for them to deliver on time because that is how they will get more orders from JD from the market place whereas on the local hyper local fulfillment there isn't a good technology in place usually people who have their delivery boys they are multi-tasking they are either in this shop cleaning the shop packing and doing certain other things hence the delivery time is not predictable it's like something it's just within an hour, sometimes it take more than three-four hours so that is where we felt that we need to fill that gap with our new approach.

Hiren Dasani: Okay, and just to be clear in terms of the current revenues whatever you are reporting there is no element of transaction related or no element of Search Plus related revenues currently it's all driven by the.

V. S. S. MANI: We don't book any gross GMV or revenues, if at all any revenues booked there definitely be some commissions booked against like flight ticket, travel, hotel and all those things flowers and all that.

Ramkumar Krishnamachari: But nothing material so the 590 crores is almost 99.5% is all search.

Hiren Dasani: Okay, and just to be clear how critical in your mind Mani is the Search Plus success for the core Search business itself, do you think that even if let say.

V. S. S. MANI: Without Search Plus search will perish according to me. World is changing, people want instant gratification they want to instantly do things so search in fact so far Justdial remained a search for businesses, search for products and services now people are expecting us to show the prices for the products also, so it is no more just the giving the vendors but also the prices at which they are selling, also allowing them to buy online though JD also allowing them to have the flexibility to pay by cash, credit card or through EMI plans to the works so all that you have to do otherwise the search by itself will slowly start fading out, search without these features, so it is absolutely mandatory for JD to not only get into the Search Plus also to a very-very important thing that we are implementing and which the product we built after getting into Search Plus we learned that the market the SMBs do not have technology, they do not have a proper mechanism to manage their inventory, the billing system they do not have a proper way to track their own businesses so we ended up building a complete solution which is a cloud hosting solution which is going live this quarter actually. This month we are installing in the 100 odd places and once it gets approved this will scale across India and this is a product will be available to every small medium business on a pay per months basis and that is what will help us not only get into deeper engagement with these customers but also have access to their inventory and this product will also help to manage their businesses better they will have a better control through the technologies that we provide.

Hiren Dasani: That is great to hear and in that case are you will to go all out in terms of let say spending not through let say giving discounts as you alluded earlier that that's not your way of building the loyalty for the product but let say evangelizing and spending much more than the initial estimated 60 to 80 crores of ad spend because the stake are pretty large for considering the amount of money which the other guys are spending, so without really working too much about the quarterly profitability are you willing to go all out on that?

V. S. S. MANI: Absolutely. On the new product that I explained to you that has something to do with like, I need to really grab land there, I need to really get more and more businesses introduced to that, so we want to get into that really fast ramp it up fast, reach out to us as many businesses and give them such easy payment plan that doesn't pinch them at all. And perhaps to save them with the current system that they are using it would probably save them 80% of that cost where shifting on to our system and which is best of class technology, so obviously we will spend a

lot more on trying to have feet on street, Evangelist to reach out to these businesses and grab it before anybody else could think of doing that.

Moderator: Thank you. Our next question is from the line of Ashwin Mehta from Nomura. Please go ahead.

Ashwin Mehta: Ram I had one question while it's difficult to kind of quantify the realization changes given the mix changes that you are seeing but from a growth perspective do you think the kind of growth that you say this year that is sustainable in your core Search business?

Ramkumar Krishnamachari: We have been maintaining that by 30%, range is something which we can hit on, well somewhere in the middle, somewhere on the top or somewhere in the bottom I am sure at this point of time but what we are saying is look, core business has lot of headroom for growth as I mentioned it's fairly how aggressively we ramp up our sales force, how aggressively we go into this Tier-II, Tier-III cities and other cities and expand network there by monetizing it so we have already started doing it, you will see the momentum going up in as you go through the year so our belief is that look the growth will be driven by volume and pricing we don't normally rely on to sort off both it is going to be the number of question is what is going to drive the growth which is concern.

Ashwin Mehta: Okay. Secondly in terms of JD Cash have we already gone in for wallet license or are we looking to go in for a payment bank license in terms of JD Cash or it is also a tie up with somebody else?

V. S. S. MANI: Payment bank license we are not applying for, but yes we have gone for a wallet tie up.

Ashwin Mehta: Okay, and thirdly Ram in terms of the other income we saw sharp jump so how much of money now is in FMP is versus what is basically available?

Ramkumar Krishnamachari: Okay, we had the tax free bonds which were more than one year which we felt that it was opportune time for us to book profit and that is what we did in Q4. Rest of all the money you that you see right now it's all most of it, yes some of it is in liquid some of it we will be deploying it in at an opportune time in tax free bonds as well and good portions are in FMP and these FMP are in various levels of maturity some are one year, two year and three years our idea is to optimize the tax also so that we don't look at it from, so that we don't have tax also on any of these roll overs, etc. So wherever we feel appropriate we will just roll over to a three year thing so that we get the benefit.

Ashwin Mehta: And just lastly Mani in terms of Google coming up with its own my business how much of a threat do you think that is to your Search business and they are talking about that over the next one, one and a half year they could take the number of SMEs to more than 20 million SMEs in their my business suit.

V. S. S. MANI: So there is enough and more market for all of us. I think Google strategy is very different from ours and they are definitely not trying to do what we are doing and we are focused on our users not on our competitors and we know exactly what are users need both from the users of our product including our advertisers, the business and we are in touch with them on a day to day basis on the ground level and with our own employees with our own management so it doesn't make a difference in what we are doing and what others are doing.

Moderator: Thank you. Our next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Sir my first question, sir my question was on the Search Plus platform and if were to be a success in the near term would it make our kind of presence in reduce beyond the top 8 cities would the contribution then increase from cities beyond the top 8 cities is it a fair assumption to make sir?

V. S. S. MANI: Whether it's search or Search Plus it's here to stay and it is here to cater to the entire nation and it is, it will have its own impact and effect on all the cities that we are present and it may take off early in the top notch cities or rather the metros and then you would see slowly other cities and towns in India people are also using this tool.

Aditya Mongia: Sure. Sir just squeeze in one more question, I just wanted to ask you in case based on your experience, if there is a hit rate of sorts which you have kind of come to for the Search and Search Plus businesses, essentially what I want to ask you is that for every search being made how many of them would then fructify into something significant on the search and Search Plus side.

V. S. S. MANI: We are not giving any such matrix to the market so I wouldn't be able to comment on this, but we are only seeing more and more people are incline to transact online there is initial inertia which we see amongst the users to may be in their minds they are thinking whether it would work it will really happen and things like that, that is what we are addressing and you would see that with our campaign and the evangelist activity that will be a huge growth, leaps and bounds growth in these activities in the transaction point.

Moderator: Thank you. Our next question is from the line of Sandeep Muthangi from India Infoline. Please go ahead.

Sandeep Muthangi: My first question is on Search Plus can you highlight how many of these 24 services that you have are on a metamodel where you utilize a third party search or a transaction API and in the future do you plan to vertically integrate even in the services?

V. S. S. MANI: What exactly you mean by vertically integrate?

Sandeep Muthangi: Do you want to not rely on the third party such a transaction API and directly integrate it with your businesses or services in the future?

V. S. S. MANI: Yes, so directly doing something like for example travel for the next couple of years is out of question, we may fill up the gap wherever the partners are not doing it that we are definitely doing in fact I would like to highlight only 27% of Indian hotel inventory is online and the rest of it not online very soon you will be able to book for all the hotels in India through JD, so we fill up those gaps as far as things like bill payment recharge and all that is concerned we bought with the best of the best name so we don't really have to go and tie up with each individual utility providers and stuff like that, there is no need for that. Most cases the people we are dealing with are wholesaler are B2B players so hence there is no question of really bothering to get into this, these are all things we will think about backward integration when there is a huge growth, high volume then there is a big benefit of integrating this, doing it yourself it will expand the margins but not in the near future.

Sandeep Muthangi: Right and as of now how many of these would be on metamodel, how many of your 24 services?

V. S. S. MANI: Meta we haven't yet don't any of those are you trying to say that giving choices for multiple providers?

Sandeep Muthangi: No, I was just asking about how many of these you have already backward integration done and how many of these you are relying on a third party search API.

V. S. S. MANI: Anything where so the simple thinking is like if we are wherever you were dealing with small and medium businesses we do the integration directly, wherever its' a bit organized and somebody has aggregated it we deal with the aggregator. So as I gave you the example for restaurants, for doctors it's all direct like grocery, pharmacy, online shopping all that is direct although soon you would also get online players prices on Justdial so when you search for say iPhone or a particular television you would get the prices of the online stores as well as the offline stores at Justdial so the online stores will be integrated with their API, offline stores will be as per the JD ecosystem whatever they have been providing at their prices and you as a consumer get a choice to buy from the best.

Sandeep Muthangi: Right wonderful and Ram I just needed a quick clarification on the gratuity provisions the total amount of defined benefit obligations as of last year was about 7 crores, and again such a balance a provision of 3 crores seems very high I just wanted to get a quick clarification on what are the kind of assumptions that you have changed, that have resulted in such a sharp provision during the quarter?

Ramkumar Krishnamachari: What I said that was, what we did was we restructure the base salary for many of the employees for gross benefit of the organization I don't want dwell deeper into it because of

this restructuring of the overall CTC, CTC remained the same it just changed the component altered in the base salary going up and as a result there is one time charge we had to take on the gratuity because as you know gratuity is based on number of months on the basic salary. So with this increase in the base salary we had taken this one time hit but there are larger benefits of doing that which is the reason why we did it.

V. S. S. MANI: This is a non-cash item it is usually paid only after employee serves for five years.

Sandeep Muthangi: Right. And your actuarial assumptions of 7% wage inflation and stuff like that they have not changed, it's just because..

Ramkumar Krishnamachari: Not much changes, absolutely not.

Moderator: Thank you. Our next question is from the line of Shalin Kumar from UBS. Please go ahead.

Shalin Kumar: I have just a basic question pardon my ignorance, so what I see the Search Plus services are already there so when we say launch what it all includes so one is the marketing anything else in that?

V. S. S. MANI: No, first is the packaging the whole product will look different what you see now is not yet the product that we would be launching, and the way the user interface, the user experience and overall everything would be, it would appeal to you as one single app for multiple things and with that we need to announce it to the market once the product is ready we have to go to the market and tell the users that this is a new app which you can do, rather a app where you can do various multiple verticals and transactions and the stuff like that. So that is what we call it as a launch.

Shalin Kumar: Alright. Sir my next question is how I see Search Plus or Justdial, Justdial is basically empowering local vendor to cater to their neighborhood and the thing is that how are you going to tackle with the dynamic inventory management of those local shop keeper.

V. S. S. MANI: That is why is said this new product that we have launched is Cloud hosted inventory actually managing a business. It's a completely one plug-in-play solution in 10 minutes you can just plug in and shift your entire shop into Justdials cloud hosted solution and that if you do your inventory whatever is there in your brick and mortar shop or an offline store it gets automatically published in a site like Justdial, in the market place like Justdial so the inventory is more sync, as a vendor you can publish it to any other third party site also there is no restriction on that so that is a product that we are making, I think it has a huge potential there is a huge demand for something like this and that is what we are looking out in the next month.

Shalin Kumar: Definitely I completely agree with you but then won't there be an initial investment requirement specifically from the side of smaller local neighborhood players where they do not have such kind of system from them.

- V. S. S. MANI:** The offer that we have is a very easy monthly payment plan which would hardly pinch them in fact invariably they would be spending much more than that to manage the business and still not being able to do it so this would probably a fraction of that and they would be able to manage their business far more efficiently so we expect a lot of them to convert to this platform.
- Shalin Kumar:** Okay and lastly would Justdial also be helping them in hardware provision also?
- V. S. S. MANI:** So we have the best of the hardware partners in place, we also have the banks in place couple of leading banks have come and said okay we would just we would want to fund this whole thing for SMB and for the SMB they just have to just sign a piece of paper saying that I am interested in this and there is a component for the hardware which is financed with the bank which is directly between the bank and vendor and the other component which comes to JD for the services.
- Shalin Kumar:** Right, that is a great news sir. When can we see more detail about it?
- V. S. S. MANI:** We would in our product launch that day we would demo this product as well.
- Moderator:** Thank you. Our next question is from the line of Ankit Kedia from Centrum Broking. Please go ahead.
- Ankit Kedia:** Just a question on pricing again, Ram could you share what has been the growth in the top 8 cities vis-à-vis the Tier-II, Tier-III cities in terms of pad campaign and what is the share of revenues for the smaller cities now?
- Ramkumar Krishnamachari:** So the growth has predominantly in soft cities grew around the early 20s, early to mid-20s and the bulk of the growth has come from the smaller cities the high growth rate.
- Ankit Kedia:** And what would be their revenue contribution now?
- Ramkumar Krishnamachari:** So the small Tier-II, Tier-III contributions today stands at about 11%.
- Ankit Kedia:** And Bombay-Delhi would still be upwards of 40.
- Ramkumar Krishnamachari:** 41.5.
- Ankit Kedia:** Okay, we have seen a high amount of CAPEX for the year so, could you give the actual quantum of CAPEX for this year, and what's the guidance for next year?
- Ramkumar Krishnamachari:** Last year you have to factor that 35 crores 37.5 crores is invested in land so if you exclude that it is well within the range that they gave of 5 to 7% of revenue, it is well within that. So we continue to maintain that, the CAPEX would be around 6-7% of revenue.

Ankit Kedia: Sure. And the tax rate has been a bit volatile because of the high other income component so going forward what will be the guidance on the tax rate?

Ramkumar Krishnamachari: We can assume the similar level. As I mentioned we try to optimize on the other income so that we have the least amount of tax outflow so this. The volatility is mainly only on account of other income, so as, I mentioned we will be continue to be tax efficient in booking profits there.

V. S. S. MANI: Annual basis there wouldn't be much of difference on annualized basis.

Moderator: Thank you. Our next question is from the line of Rishi Jhunjunwala from Goldman Sachs. Please go ahead.

Rishi Jhunjunwala: Couple of questions, one is can we get a sense of how much of our traffic even today still comes from voice versus website versus mobile just in terms of proportion not necessarily the numbers.

V. S. S. MANI: Search traffic about 62% is on, it's pretty much if you go by this search now let me explain to you what is search, search is like if you as a user if you come to Justdial and if you click on search board where two, three different things that is what we call it as search. So there the unlike the internet voice the people tend to have very specific question and it is what they search and they don't go beyond that, so and you would see only 9% of our overall traffic volume is on voice rest all is where searches are coming out of interest. And mobile internet and then with a current trend is....

Rishi Jhunjunwala: Okay, and within interest any breakdown between PC and mobile?

V. S. S. MANI: Yes, mobile interest is really taking off now if I add up all usage on mobile and mobile devices it's actually higher tad higher than PC interest.

Rishi Jhunjunwala: Okay, secondly in terms of your headcount just wanted to get some understanding about how much of that may be because of your Search Plus offering in the sense that, I understand there would be fundability among employees who are working for Search Plus versus your basic core business but to put it the other way how much the headcount would have been if you did not have investments going into Search Plus?

V. S. S. MANI: A lot of it is because of Search Plus because you when you launch this you need a team on the product side, the technology more technical resources for that. Then you also require support staff because these are like user experience saying so there is large number of support staff which are deployed. But this is an investment and this will help us really take into the next level so these are all really mandatory there is no way that we can escape this now.

Rishi Jhunjhunwala: Understood but any sense of out of 9500 employees how much would be dedicated to Search Plus?

Ramkumar Krishnamachari: We don't put it this way, we added about 1000 people during the year and you can say that roughly about around 15% of those would be specific to Search Plus, mainly in the support, technology, etc.

Rishi Jhunjhunwala: Okay, thank you and just one last thing you mentioned about two one of the earlier questions that the fact that Search Plus is going to be so important and one of the key things that you are looking for in terms of investments and that would mean that your investments in Search Plus are going to increase and you are going focus on that, just wanted to understand what are the levers you have that will make you able to sustain your current margin profile with the kind of investments that you are looking at in Search Plus outside of the one-off marketing spends?

Ramkumar Krishnamachari: Conviction comes from the fact that the voice usage is coming down in terms of percentage of traffic so that is one area of leverage that we have. Second definitely we have a high fixed cost both in the overall revenue base, little bit on productivity as well so that is why we maintain that, roughly there are 2-2.5% of revenue which we are going and investing in the Search Plus initiatives, which otherwise would have accrued to the margin, give us the conviction and believe that we will be able to maintain stable margin which is what we demonstrated.

Moderator: Thank you. Next question is from the line of Jignesh Kamani from Nirmal Bang. Please go ahead.

Jignesh Kamani: Just want to check as you mentioned by July or latest by August we will be live on the Search Plus with marketing so by the time most of the teething problem which is there on the Search Plus will be addressed right now or it will be more about post this also the teething problem will continue and just because as of now in core vertical like afford delivery, doctors appointment I am still finding it in many cases have not grown as of now.

Ramkumar Krishnamachari: Jignesh we couldn't follow, are you saying the number of products would it go up when we launch?

Jignesh Kamani: No, I am saying as of now as we speak there are many teething problems in our existing Search service like be it food delivery, doctors appointment or anything so when we are planning to go live with aggressive advertisement campaign by July or August this teething problem will be resolved or?

V. S. S. MANI: They will be fixed, they will be resolved.

Jignesh Kamani: Because I think it's more than around 5 to 6 month teething problem are there in some of the service and it's not addressed yet.

- V. S. S. MANI:** But every day there are improvements I get the reports I can show you.
- Jignesh Kamani:** There are improvements but still a significant part.
- V. S. S. MANI:** You must try them now and share your finding.
- Jignesh Kamani:** Sure, I will share my finding to you.
- Moderator:** Thank you. Our next question is from the line of Srinivas Seshadri from Antique Stock Broking. Please go ahead.
- Srinivas Seshadri:** Just one small bookkeeping question for Ram, on the treasury income just wanted to understand given that most of the investments you are saying is parked in tax efficient which could be more long-dated, what should I model in terms of treasury income on the 800 crores or so book which you have in terms of interest rates for next year and the year after?
- Ramkumar Krishnamachari:** So our belief is that we can look at similar number we had a total of about 46-47 crores, model a similar number for FY16 as well.
- Srinivas Seshadri:** Okay. And would you have some big kind of a backhanded given that some of it would have been shifted back in FY 15 and FY 17 would see three year kind of maturities?
- Ramkumar Krishnamachari:** Look we do have buckets which are coming up by various stages that is why I said the average we can look at booking it and we do as of now you will see it in the annual report that we publish the overall market value as of you will see that there is difference. Unrecognized revenue there, so you will see that amount more than the amount that I talked about its not going to be about 60 crores.
- Srinivas Seshadri:** Currently it is about 60 cores is it?
- Ramkumar Krishnamachari:** Yes, (+60) crores which his part of the market value but we have not yet book profit.
- Srinivas Seshadri:** Okay, and would it be fair to presume that a large part of it would actually come in FY17?
- Ramkumar Krishnamachari:** I would think so that is a reasonable assumption.
- Srinivas Seshadri:** Okay, so this year we should take similar numbers next year in addition to the usual yield you would have some more money in this 60 crores plus whatever gets accumulated this year as well come as a one-off in.
- Ramkumar Krishnamachari:** Possible.

- Moderator:** Thank you. Our next question is from the line of Arjun Khanna from Principal Mutual Fund. Please go ahead.
- Arjun Khanna:** Mani you talked a bit on hyper local delivery have we done a pilot project of the same and any feedback have we received?
- V. S. S. MANI:** As we speak we are doing a pilot, I have no data to share right now. So, it looks promising and interestingly many of these vendors who are part of the listings that Justdial want to utilize that logistic for their own fulfillment in fact orders that directly come to them. So there are lot of interesting developments.
- Arjun Khanna:** Just to understand this little further sir, would we be running this as a profit center or would this be...
- V. S. S. MANI:** Whatever Justdial does will be a profit center.
- Arjun Khanna:** Sure, fair enough. And secondly in terms of CAPEX and otherwise just in terms of numbers what kind of outlay do we see for say one particular pin code of two kilometers radius?
- V. S. S. MANI:** There is no CAPEX as such for this because usually you only hire people who have vehicles and there is no question of buying them something but a smartphone and that is very minimal actually, negligible.
- Arjun Khanna:** Sure, fair enough. Looking forward to hear probably feedback on the next call. Sir my second question is in terms of revenues you mentioned on the call over 99.5% is from our Search business just trying to understand sir on our Search Plus platform we have the JD guarantee deals you had mentioned we can book cinema tickets, airline tickets, hotel, why we are not receiving revenues from them or is the uptick extremely slow?
- V. S. S. MANI:** Not that, we are doing close to 100 million in revenue when you do a \$100 million revenue to get to that even if I make couple of million dollars in these transaction commissions we will still not be anywhere. But the thing is, the good thing about transactions once it takes off it is just going to geometrically multiply off so that is the key, so what you focus right now is not actually trying to make as much commission as possible but have as many people sell their products to us and that is what is our goal right now. And as you know that we have not even yet gone and advertise or publicize our services, there are lot of people who may even be aware of this are still waiting for us to do an official launch before they start using it.
- Arjun Khanna:** Right. In the sense that whoever has downloaded the app would have it on their phone in terms of a choice, so if I understand you are saying you need to educate them how to use it?
- V. S. S. MANI:** Because the behavior like they have come to Justdial to get a search and find information, there is of course a very visible transaction tab, there is also a phone number to call unlike

other search sites which they do not provide a phone number to call. Now Justdial is transitioning from a Search to Search Plus transaction destination. We cannot do away with the old Search features like giving him instant help of directions to the maps and directions sort of number to call, address and stuff like that. So the transaction is happening but lot of it is happening offline, but you would see that once they get the confidence of doing it online they wouldn't go back on time and do the old way, that is what we believe.

Arjun Khanna: Sure. Is it possible to share any numbers in terms of probably just the JD guaranteed deals what kind of revenues are we doing?

V. S. S. MANI: I can only tell you the average ticket size is about 17,000 which is very high compared to other players and it's a very good sign too. We aren't giving any numbers on the number of transactions.

Arjun Khanna: Fair, but in terms of growth on month-on-month levels is that a healthy growth we are seeing?

V. S. S. MANI: Very descent growth.

Arjun Khanna: Sure fair enough and my last question sir just on this market place you did allude to getting a lot of these online websites also on to this offline world which we well connect so this so called market place when would we actually see it online because right now if we see most of the websites are not currently linked say the Flipkart and Amazons of the world.

V. S. S. MANI: Yes, you would see it soon, we are rolling it out and there is a bit of integration required there and we just got go ahead from some of them very recently and just doing that. Our goal is simple we are looking at our user and we are putting ourselves in the users shoes and saying that what is best for us as a user, if as a user I feel there is a sight out there giving cash back and also giving deep discount on the product and that is far more better than the JD vendor, I must tell my user that this is a place to go to if you want to because at least I am making him aware about it, so in one glance he gets to know this is a place which the cash back offer and all that, he goes there. So then he comes back and again to JD because the JD is a place where I can find the best deal. And then in the process you will have to figure out a monetization only after considering the users interest. The user's interest comes first and then the monetization falls place.

Arjun Khanna: Fair. So if I understand currently we have linked with the major online players.

V. S. S. MANI: We are in the process of linking with all the online players. Initially we would do it for branded consumer durable products then it's easy to compare and the known branded ones we may not hurry up we may do it selectively but on the branded ones yes you will see by next quarter I think we should have at least one of them live.

Moderator: Thank you. Our next question is from the line of Arya Sen from Jefferies. Please go ahead.

Arya Sen: One follow up question, how should we look at the monetization for Search Plus currently you are talking about a revenue growth of 25% to 30% ones Search Plus is launched and in the next say three-four years what sort of revenue growth can we expect how high can it go, if you could through some color on that?

V. S. S. MANI: We don't do projections or any kind of in fact we are not well-equipped to do those projections from new products but all I can say is currently Justdial revenue is coming from ranking for listings and ads and little bit from the banners, banner heads and all that but soon you would see our revenue coming out of shop rentals which is like a e-shop for these listings, there will also be a transaction revenue which commissions on these transactions there will also be the cloud versus solution that I was talking about the vendor app those are the other revenue streams and once you see that good revenue mix you would see that overall the potential of the revenue growing at much better pace looks very promising to us.

Arya Sen: Sir the reason I asked this question because you said that Search Plus is necessary without Search Plus Search will not last. So in that context is it that you need Search Plus to sustain 25 to 30% or is it going to give you a significant step up in terms of the trajectory or revenues?

V. S. S. MANI: Search plus is necessity and Search Plus is a huge opportunity also for Justdial so a necessity of course because our users are now behavior is changing they would want to transact in the same place and it is an opportunity because now that user behavior is changing it becomes indispensable for small medium businesses to be not with Justdial it's just have to be there at Justdial so that becomes a compelling thing for small, medium business, hence more revenue coming out of it and also the revenue coming out of different forms, not just from advertising but also from other forms like commissions forms.

Arya Sen: Okay, and one last question what is the number of app download at the end of FY15 and how much was it at the end of FY14?

V. S. S. MANI: The app download as of today's 6.3 million, and what was it in comparison to the data of last years, I don't have the ready data for you for the previous year.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question, I now hand the floor back to the management for closing comments.

Ramkumar Krishnamachari: I think we are fine. Thank you.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Citigroup Global Market India Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.