

“Justdial Q2 FY 2016 Earnings Conference Call”

October 29, 2015

**ANALYST: MR. GAURAV MALHOTRA - CITI GROUP GLOBAL MARKETS
INDIA PRIVATE LIMITED**

**MANAGEMENT: MR. V.S.S. MANI - FOUNDER AND MANAGING DIRECTOR –
JUSTDIAL
MR. RAMKUMAR KRISHNAMACHARI –CHIEF FINANCIAL
OFFICER – JUSTDIAL
MR. ABHISHEK BANSAL – CORPORATE STRATEGY, JUSTDIAL
MR. SANDIPAN CHATTOPADHYAY - CHIEF TECHNOLOGY
OFFICER - JUSTDIAL**

Moderator: Ladies and gentlemen, good day and welcome to the Justdial Q2 FY 2016 earnings conference call hosted by Citi Group 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 the questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Malhotra from Citi Group Global Market India Private Limited. Thank you and over to you!

Gaurav Malhotra: Thanks. Good evening everyone and welcome to Justdial’s second quarter earnings call. We have with us Mr. V.S.S. Mani, who is the founder and M.D. of Justdial, Ramkumar, the CFO as well as the senior management. I will request the management to give you opening remarks after which we will open the Q&A. over to you Sir.

Ramkumar K: Thank you Gaurav and good evening friends and let me start with the highlights of Q2. Not a great quarter for us as we would have expected. The operating revenue grew by about 20% to about 171 Crores, the adjusted operating EBITDA grew by 3% to 47 Crores. The adjusted EBITDA margins stood at about 27%, a drop of about 400 basis points. The net profit increased to about 47% to 46 Crores backed by increase in other income.

On the other operating highlights, we were conducting about 350,000 campaigns for the quarter roughly an increased growth of about year-on-year growth of 18% and we had about 15.8 million database listing on our database, which is a growth of 9%. Employee quarter-on-quarter is flat at about 10,600. We have about 27 search plus services lined on our platform and the total unique visitors on the usage front grew by about 19%.

Now let me give you some of the color and highlights of what happened in this quarter and some of the reasons for the slow growth that we have seen. Now on the topline side there were couple of things that we would like to highlight. One is that the reasons for the muted volume growth has been that we should have had aggressive sales growth expansion in the earlier quarters, so that has rather impacted some of the new business additions and also the fact is that we thought that our idea was to see if we should get 4% to 5% productivity increase from the existing sales force - that would have sort of compensated for this lack of the sales force addition, but that did not happen.

We have addressed both these issues and in the process of addressing both these issues in the current quarter and also what we have done on the sales front is on the premium product we have rationalized the premium sort of positions to increase to have a greater number of fixed positions and also rationalized the pricing of those fixed position on the premium products.

Now coming to the margins, I would say the significant contribution for the lower EBITDA margin has been that the lack of growth on one hand on the topline growth quarter-on-quarter but also the fact is that Q2 traditionally we see a jump in employee cost because the increments which we give out in May-June the full impact of that come out in Q2 as well as whatever increment in the employees that he had done in Q1 that has come into play in Q2. So a combination of that plus marginal increase that we have done in other expenses, these have contributed to reduction in margins. As far as we are concerned, the investment in employees is the more on the technology side. We are investing in

getting good talent on the technology side as well as investment in the sales feet on street especially. We will continue making this investments as we move into the Q3 onwards and we believe that these are necessary for medium-to-long term and the steps that we have taken on the sales front both on enhancing the feet on street presence as well as the increasing productivity and the rationalization of the premium position should start yielding us the results from over the next few quarters. So with that I would like to handover for any questions that you might have we are more than happy to answer.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Sachin Salgoankar from Bank of America. Please proceed.

Sachin Salgoankar: Thank you for the opportunity. I have three questions. First question Ram, your explanation for the weak quarter was pretty clear but when we look at the revenue per listing it has gone down on a Y-O-Y basis so just want to understand that you know the rationalization of premium pricing what you have mentioned is it that you have taken a sort of a slight decline in the pricing and going forward we should consider this as a more normalized revenue per listing?

Ramkumar K: I do not think so because the thing is the rationalization is more, the pricing is based on category keyword and pincode combination so the rationalization would mean that in some it would have gone up in some it would have come down, very difficult for me to pinpoint and tell you the rationalization has caused a decline in per listing revenue. We anticipate that overall the pie would grow with this and this rationalization happened in the later part of this quarter, the impact of that will be felt in the next few quarters. So we are seeing some green shoots in form of actually increase in the per campaign rates that we are seeing.

Sachin Salgoankar: Clearly your revenue few quarters back was growing at around 28% to 30% it has gone down to 20% and we understand it is we got the explanation what happened this quarter but going forward should the pace gradually pickup back to around 28-30% or it could be a bit slow way in that direction?

Ramkumar K: So our belief is that the steps that we have taken at least it will take a couple of quarters for the acceleration to happen and so to answer your question we would be get back at what 25+% growth rate anybody's guess at this point of time we do not want to speculate all we are saying is that actions have been taken to accelerate the growth and we should witness that over the next few quarters.

Sachin Salgaonkar: My second question is on EBITDA margins and you know adjusted for the higher bonus what could we consider more like a steady state margin for this quarter, which could be sort of extrapolated in future?

Ramkumar K: Are you saying adjusted for the additional increment that we have given is that what you are saying?

Sachin Salgoankar: Yes. Because you know part of it is increment part of it is new employees and so on so just wanted to understand what could be the sort of a steady state margin in future we could look?

Ramkumar K: Let me put it this way. See historically you are seeing for the past two years we were giving a 29% around 30%, we are continuing to be in the investment phase as well as our employees are concerned both on technology and sales front, we do not want to anyway fix a number of margin and compromise on investment on either of these so you would extract on a steady state to be continuing this until the...

Sachin Salgoankar: Sorry Ram we just missed you on the last part where you mentioned about historical being around 27%-28% and how we could look?

Ramkumar K: Last year we have seen it was around 30-31% and our belief is that couple of 100 to 150 basis points there and there we should be able to sustain at that but again as I mentioned our focus is on investment in both sales and technology. That is what it is and we will not compromise in that.

V.S.S. Mani: Just couple of points I would like to add. We are constantly increasing our expenses into adding more people, engineering staff and also on products and stuff like that. Obviously we have this habit of writing off those expenses. We do not capitalize any of these and many of these are actually spent on the developing future products and so you would just see that kind of a pressure in margin and that is probably the reason why margins have fallen a bit and then of course we will continue to invest in these activities so as the sales expands further there should be increase in margin hopefully. Also to explain the fact that the growth in sales which we saw a slow down this quarter, one of the primary reason for that is its an internal issue, it is an error from our end that we have ignored acquiring new customers, composition of our revenue additionally 60% from renewals is 40% from new customers and in this quarter you are seeing only 70% of it is from renewals which is very good sign, 30% is what is coming from a newer acquisitions, now that new acquisition has to go up there are various strategies which are already in place to get out and you will see in the coming months and this should take off and then we should go back to those in steady state growth of what is been in the past.

Sachin Salgaonkar: Thank you Sir this is clear. One last question is you know, obviously a new App on search plus' launched could you share us with us a bit of a feedback in terms of what are the good things you are seeing and if any issues which you face and you tackle?

V.S.S. Mani: The App is very well received actually beyond our imagination actually and in fact you rarely come across an App where people are all appreciated about it especially the UI they love it and they like the new interface and in fact all of them has actually discovered them there is so much to do in that App. We have also increased the number of downloads big time, in fact last quarter was phenomenal growth of I think 8.6 million as in the last quarter we would have added after the launch we have added about 1.4 million new users, and it is going strong and even the coming weeks you will see us rank on top in both the Android and iPhone.

Sachin Salgoankar: Thank you.

Moderator: Thank you very much. Our next question is from the line of Sandeep Agarwal from Edelweiss. Please proceed.

Sandeep Agarwal: Thank you for the opportunity. I have one question for Mani and then two questions from Ram. Mani Sir, I wanted to know one thing like if you see the way our revenue growth has come up and where you have obviously given the reason for that which is very clear but I just wanted to understand this part that the way we envisage earlier we being the market leader in the search place that we will be able to probably cannibalize our own business to give space to Search Plus that the pace of cannibalization will be in our control because we are the market leaders so we will definitely be able to take more customers on the search plus side so do you think that the rate of cannibalization is probably not totally in our control and that is the reason probably of some faster deceleration in

revenue growth versus the pickup which is happening on the Search Plus. I am confident that Search Plus acceleration will be much faster but will there be a Q2, Q3 gap when the deceleration and existing revenue will be faster than the acceleration in the Search Plus site? That is question number one. Question number two, a small question for Ram. What is this thing about the STPI? I understand from what has been mentioned in press release but if you can throw some more light what is this 15 acres about and what kind of consideration has gone if you can disclose? Third the Rs.4 Crores of adjustment which was there in the previous year same quarter what kind of inadvertent mistake has happened in the recognition so if you can throw some more light on that? Thank you.

Ramkumar K:

So let me take your first last question. On the inadvertent thing we found out that there was some revenue which should have been in deferred revenue inadvertently got recognized on a few contracts that we have fixed it and this is what actually we have highlighted that in Q4 results if you notice that it is there already so what you are highlighting is that the reported revenue was 147 but actually it should have been 143.5 something so that is what it works. As far as the land is concerned, as you know the transaction happened last year in terms of getting the land, it just got notified. The land was allotted to us. It is a 15-acres land in Bengaluru near the airport where the government of Karnataka has allotted us that in an IT park to build our own campus there and that is what it is. As far as we are concerned the campus will be built. We plan to build over the next few years even though we do not know the exact time period within which it will be done. The land has been allotted to us the land belongs to the company and we have the discretion of building it over the next few years.

V.S.S. Mani:

The slowdown in revenue has nothing do with Search Plus. In fact perhaps too much focus on Search Plus from top management and probably we neglected simple things like hiring more people and going after and acquiring new customers I think that was a blunder. Sometimes what happens is lot of noise around you also disturbs you and it is a big learning for us and you will see that we will get our acts right and in the next few quarters you will see a different kind of a trend. And Search Plus if anything it is only going to compliment our search monetizaion and I still believe as search engine we have not yet scratched the surface and we are now going to start our campaign also very soon perhaps and we will make it more compelling for people to use Justdial app especially the voice application the voice search application on the Android App is so user-friendly that any type of people can actually use it and that is a very big point to really promote and advertise about and communicate to people. So overall I am quite bullish about overall growth in search and overall revenue in Search monetizaion should work better and better.

Sandeep Agarwal:

Sir thanks for the answer.

Moderator:

Thank you very much. Our next question is from the line of Arya Sen from Jefferies. Please proceed.

Arya Sen:

Good evening Mani and Ram. Firstly just on the rationalization, just wanted to understand so basically your location plus category inventory it has come down or it just means a sort of rejig and how should we look at it?

V.S.S. Mani:

No. It has not come down at all. Basically the way you monetize your inventory there is a bit of a structural shift that we have done in the last quarter, which you will see that the result of which you will see in the coming quarters, the benefits of that and this we do like once in six or seven years and we have done probably the last one was done in 2009 and that impact you would see now. I think this

quarter primarily the revenue being less is more to do with sales personnel which is not being added but usually we have hunters and farmers in any good sales set up and the hunter is the one who wants to get you the new customers on board and the farmers are usually working on the existing customers portfolio so that farmer bit is being done very well and it in fact got very better. So the hunter bit got quite ignored and that is why we are paying the price today.

Arya Sen: Also I mean, if you could give us some update on plans for Search Plus, where the new App is now so what is the plan for the ad campaign as well as what else are you thinking on that?

V.S.S. Mani: So that is in full swing the necessary shoots are in progress. In the next few weeks it should be done with it and most importantly the timing of the ad - of course we will do it at the right time not when there is too much noise around, most importantly the evangelist activity also will get kicked in because the complete JD profile that is also almost on completion stage. Actually speaking we took up a very mammoth task, very mammoth arduous thing and it took so much time but the outcome, what is coming out of it is we are very happy with the outcome.

Arya Sen: On the experience side I mean are you still going through iterations or this is more or less how the sort of look, feel, experience of using the App will be or can you explain?

V/ S. S. Mani: It will be more or less the same, not much changes, minor changes you cannot make out much.

Arya Sen: But you are more or less happy with the product as it stands today?

V.S.S. Mani: No on the international side there is lot to improve and that is what we are improving now so you would see update coming up every two weeks and you will see a lot of improvement in the overall on the transaction side.

Arya Sen: Sorry transaction meaning the backend or transaction meaning even the navigation experience?

V.S.S. Mani: A slight bit on navigation experience also when you really trying to buy things, so say if you want to buy groceries then the navigation experience that you have now is better is going to come now there will be a far better improvement in this. Those are small, small changes will keep happening as we learn more and more.

Arya Sen: I understand that you know now on the e-tailing side if you direct me to another site say Flipkart or Amazon or whoever you are getting commission out of that. I mean is that a fair understanding and you know what sort of commission levels is it per transaction, does it kick in only if you guys are certain amount of traffic or how do we look at the revenue and when will the revenues from that start showing in because that monetization which is happening already right?

V.S.S. Mani: See as a search engine it becomes important for us to help our customers find the right products at the right price also so it is important to have all the people participate so it makes lot of good business sense for us to do that. As far as the monetization question, my colleague Abhishek will answer you. It is on per transaction basis.

Abhishek Bansal: Yes, it is on per transaction basis as part of the affiliate commission structure that each of this portal have and it is on a specific category basis, so a category like apparel, clothing, or footwear etc., might be high margin or high commission categories, we have categories such as consumer electronic say mobile phones etc., commissions might be relatively lower.

Arya Sen: Right. So this is a piece which is already you are monetizing right, so the impact of that in revenues should flow from next quarter itself?

Abhishek Bansal: But the transactions are right now, at end of the day it is all based on volume and the volume will come up once we start communicating it. So right now it is not quite material.

V.S.S. Mani: Commissions whatever you will be get 2% to 5% whatever it is it will not be significant enough for us to really disclose at this point of time.

Arya Sen: This piece do we expect it to be significant in the next two to three years or I mean you are just looking at it more as a add on feature and not really a major revenue opportunity what is your sort of thought on this?

V.S.S. Mani: You have to take a right decision move towards the right direction that is most important for a company. We cannot sit here and speculate how much percentage of our revenue come from these commissions and how much of it would come. It is mandatory for a Justdial to be a Search Plus transaction and that is what to complete that we have all these people in place. But yes, as we learn from other markets there is a chance that your commission income would of course, financial portion of your revenues going forward but one cannot predict that now.

Arya Sen: Okay and one question for Ram you had said that the treasury income in FY 2016 will be similar on a full year basis to FY 2015, now FY 2015 you had made about 49 Crores-odd this year first half you already have made 33 Crores so do you still stay with that guidance?

Ramkumar K: Honestly we do not give guidance but it will be more or less similar, if not more.

Arya Sen: Okay and last time we have been two search plus services added could you tell us which those two are?

Ramkumar K: Loans and insurance.

Arya Sen: Thanks. That is all from my side. Thank you so much.

Moderator: Thank you very much. The next question is from the line of Rajeev Sharma from HSBC. Please proceed.

Rajeev Sharma: Thanks for the opportunity. Just two questions from my side; first is I understand you had a weak quarter because there were some delay in hiring but I am just trying to understand the business model that you need new customers and all but is it that every two quarters you will need to hire 1000 employees, 500 employees to get volume growth which means the incremental margins we are going to make with this incremental volume growth will not keep pace with the 25% it could be dilutive in nature so just keeping aside Search Plus I am just trying to understand that is this expansion of sales force, the real model which we have that every quarter it is very necessary that we keep hiring and otherwise we will have this kind of situation and second question is on Search Plus so I understand you are supposed to launch in September as per the last earnings call that has not happened. We are already in October end and I gather that you may be still two months away, so I understand there could be some delays but what is your backend plan like in terms of your organization structure, so you have 27 verticals have you also aligned your off structure in the similar manner to accommodate growth in scale or how will you deal with this, once it is launched how is the backend org structure

ready or you plan to go ahead with the similar structure you had in search some colour there will be very helpful, please?

V.S.S. Mani:

So first to answer your hiring issue, hiring issue was mistake for the last several quarters. It is not just this quarter, so if you go by our old we had a pretty much flat sales force for the last almost 18 to 24 months except barring the previous quarter so that is where the hunting hiring happened. The new recruits are usually put in sales to get in new customers on board and that got neglected. Now it got neglected because we were also focusing a lot more on Search Plus and other stuff and there were somewhere the top most management focus kind of little bit strayed but despite that if you look at the growth the growth has been fantastic I would say, because we are not adding more people, we have continued to grow in this several quarters that well. It is a good sign that means the sign is that the customers who are extremely with Justdial they are extremely happy with it and they are paying more and existing employees have been productive during the same period. But then it is a huge market opportunity like what we have in India right now. I think adding another couple of thousand people on the sales force is also less, which we should, do like as fast as possible. So now that we have the new monetization engine also ready which also took us about almost six months of that or a little more than that. That was one of the reasons that we delayed our hiring also. So with that act and new hiring overall the output should be better. That is the answer for the first question. Now speaking about all these verticals Justdial takes up the things only what we can do and we have had a track record of execution and when we say we delay, we are delaying the announcement of the Search Plus to the market but as a user you can currently use any of our Search Plus feature and you would see that your experience would be Wow! In many cases like buying products in all within few hours; people get deliveries, which are not up even in a matured e-commerce company. So that is the level of efficiency that Justdial has. Now when to actually announce it to the market and tell them look, forget about other Apps and come to one single App and do all your transaction that is a judgment call that I have to take and my core team has to take like, hey this is now really damn good. This is the time to sit on the rooftop and shout and say come on you Justdial for anything and everything. This is a fun app that does everything. Of course that communication is going to come one day, but then that really does not matter to us but that communication is not a very important milestone for us. That is just to scale up the operations, scale up more usage, and get people to give that the confidence to come in transact under us.

Rajeev Sharma:

And some color on org structure?

V.S.S. Mani:

There is no worry about losing market, first mover advantage and all those things. In fact I get offers to buy several of this first mover companies into certain verticals almost on a weekly basis, weekly basis one company to buy all the strategic stake in those companies so that is the part of the story there is nothing none of us should get really hyper about the this thing. The opportunity is so huge and so long term, the smartest one will win the game and that is what Justdial is known for.

Rajeev Sharma:

Mani some color on the org structure please like how do you plan to scale up the backend and the org structure with this Search Plus?

V.S.S. Mani:

So on the org structure, we have been adding more people for all the verticals and there are people who are responsible and there are very clear cut product responsibility there are set of people who are

in the institution, in fact as we speak there is a whole lot of people who are working on last mile logistics and so all that is in place.

Rajeev Sharma: See you do not intend to have organization which is run into 27 verticals you plan to manage it the same way the search business has been managed with some additional managerial talent hiring, is that the view?

V.S.S. Mani: The dedicated product people who have day in and day out, thinking about each vertical and that is a different approach than was in the search approach. There are people dedicated to certain particular vertical. As far as execution is concerned there could be certain areas like for example in logistic solution it could be one set of execution team will probably take care of almost most of the vertical.

Rajeev Sharma: My problem is you know there are so many start ups in each verticals unless you have a dedicated teams backing each vertical do not you think you may fall short on the consumer experience or the market opportunity?

V.S.S. Mani: See we have a dedicated team on the product side. On the engineering we leveraged the strength of a lot of people so in fact there we do not see the need to have dedicated engineering talent because there is a smarter way to do it. On the product front of course we have dedicated team.

Rajeev Sharma: My question is more on the execution side, like you know having a category manager for let us say ticket booking or taxi or food and then there is a team which supports them and then it is connected to the logistic kind of thing is that the thing you have in mind?

V.S.S. Mani: Absolutely and it is already in place and in fact when you look at all these operations. For example there is a team, which works on travel. There is obviously to just to get the user experience in the next level. In fact when we launched it there were few complaints and thanks to some of those complaints from friends like Tibrewal and others who gave us, we have come to zero errors now, which is improving our services so that is a great achievement. And so you must use our services to buy flight tickets or book bus tickets or any of the travel services be it even hotel rooms and you will see the difference.

Rajeev Sharma: That is very helpful and thanks a lot.

Moderator: Thank you very much. The next question is from the line of Pankaj Kapoor from JM Financial. Please proceed.

Pankaj Kapoor: Sir just wanted to understand first on this whole issue about sales force hiring, does it mean that basically in terms of geographical expansion like going into newer cities, so we might not have done as much expansion to the newer cities during the last couple of quarters. Is that what you are hinting at?

V.S.S. Mani: Both you know the existing cities as well as the newer cities. Hiring is also filling up people who are quitting also hiring is also trying to do when you are engaging with lot of new products like engagement with the customer, the time taken all that goes up, so you need to hire more people of course those activities are getting you more revenue but if you do not hire new people what happens is the getting new people on board becomes very difficult unless you have more people interacting with this prospect which is where we made a mistake.

Pankaj Kapoor: So like I think in the annual report you had shared some sense how the listing and the revenue distribution across the top cities in the tier II or III cities were standing. Has that trend changed materially in the last six months? Is this something, which we should be looking at as we expand more into these?

V.S.S. Mani: The Tier II, Tier III cities will obviously get more and more share as we move forward because they are just at a lower base so obviously their contribution would go on increasing and that is a good sign actually for us. But if you look at the overall pie the Tier I cities are also growing dramatically.

Ramkumar K: That the contribution of the smaller towns and cities are increasing and this quarter I would say the non-top 11 cities contribution is about 13.5% so their contribution is going up. So now coming to your question of are we focusing more on remote cities ignoring main cities, you know the intensity of increase should be both on main as well as in the remote cities. Perhaps the incremental one was on smaller towns and cities but I think overall the scale I think of hiring should be both on main as well as the remote cities because we still have lot of potential in the top ten cities that we have to tap it with the incremental sales force and that is what we are working on right now and lot of this has already been put in place as we speak.

Pankaj Kapoor: My second question is on this rationalization of pricing that you mentioned of the premium products. Can you just explain that a bit? How was the structure earlier and what changes have you done in that now?

V.S.S. Mani: This is something like a secret sauce which we do not want to give you honestly speaking. You will see the outcome of this.

Pankaj Kapoor: But as you mentioned earlier this is not likely to decrease per unit pricing, is that right understanding?

V.S.S. Mani: See per unit pricing an outcome of how much you get Tier I, Tier II, Tier III all these combinations various things. I am never worried about per unit price honestly. It is important that the pie grows. The pie grows at 30% plus is what we would be happy about and that is the thing we are working towards.

Ramkumar K: To answer your question what we have seen it has not had any dilutive effect as far as the per unit price is concerned but then as we said some keyword pincode combination prices would have come down than earlier some it would have gone up, overall I think the pie would grow and we are seeing green shoots as far as this strategy is concerned.

Pankaj Kapoor: Lastly on the advertising spend, can you give me some colour what was it this quarter and going forward with the Search Plus launching coming in any idea about the quantum of the increase in advertising spend?

Ramkumar K: So this quarter was similar to what we spent last quarter, it is about 6 Crore that we spend mostly on the things that we talked about App launch and all these things but then as far as the big bang advertising is concerned that should start later part of this quarter that is our belief and that will be ramped up over a period of two three quarters.

Pankaj Kapoor: So any quantum you have in mind which you may want to share?

Ramkumar K: Right now I mean we maintain earlier thing of about roughly 100 Crores that we intend to spend all these launches. We do not have any belief that we should be changing that at this point of time, may be up and down 5% to 10% here and there but yes it should be in that range.

Pankaj Kapoor: That will happen may be over the next few quarters?

Ramkumar K: Few quarters, three or four quarters.

Pankaj Kapoor: Thank you Sir.

Moderator: Thank you. The next question is from the line of Ashwin Mehta from Nomura Securities. Please proceed.

Ashwin Mehta: Mani, just wanted to check in terms of promotions on your App so we did see a surge in terms of banking and then they fallen back to where they started almost because there has not been follow up promotions so what are the plans there in terms of continuing to maintain that intensity?

V.S.S. Mani: Today we are amongst the top downloaded Apps. We took a pause then we started the promotion again and you would see as I speak I can see like almost 10,000 Apps downloaded every hour we had set it up such that during the earnings call it should be really high. You will see that App has lot more potential in terms of downloads and not just a download, engagement, usage you will see all that ramping up very fast.

Ashwin Mehta: Secondly, we saw that the loyalty program seems to have been on the launched at least on Android but the amounts like you are currently paying for those loyalty programs like 1500 points which is just about Rs.15 per download apps very low as compared to what a lot of startup are pending so is there any plan in terms of increasing that to drive downloads?

Ramkumar K: There are some learning's from some of the startups also we keep giving thanks to some common friends, so lot of these things do not work very well for them, as you can see lot of this loyalty point stuff has not relatively reduced but then yes we are working on a new loyalty that would be launched in three to four weeks that should be a far bigger incentive for lot of people to download the app.

Ashwin Mehta: Just lastly in terms of given that you have a lot of these verticals startups and lot of these people would require partnering with vendors which is where they are weaker at this point in time so are you seeing any big attrition in your sales force because of that and has the lower search growth something to do with that?

V.S.S. Mani: Honestly I will tell you we have not been affected by any to these startups or verticals till now. In fact there are certain cases like we have had more doctors paying us revenue, more restaurants paying us revenue than ever before and if I have to take a few examples where there is intensity of competition is really high. The reality is that the opportunity is so huge and we are only addressing to small medium businesses so there are so many of them and so many of them yet to come on board yet to exploit internet and so our job is very different and we are just have to get more and more of them into taste this whole, how to get customers who Justdial. Now we are not losing any sales people to any of these verticals nor or we losing any business this verticals.

Ashwin Mehta: Thank you and all the best.

Moderator: Thank you very much. The next question is from the line of Nitin Mohta from Macquarie Securities. Please proceed.

Nitin Mohta: Thanks for the opportunity. Mani my question was again on the competitive landscape in addition to verticals specific Apps that we have seen there are lot of these service related Apps, kind of focusing on especially hyper local which seems to be the buzz word these days, so what are your thoughts there and is that something which is at least not impacting right now but you think if you do not really get the App launch in the master app concept in place in the next one two quarters is that something that could derail the search business growth coming back to the 25% growth profile?

V.S.S. Mani: I will repeat again there is nothing like you lose out in the next two months and three months or even two quarters I am saying. When we say master app for example there are lot of things, we have done a deal with one of the leading cab companies in the country. Now we would be able to dial a cab and get it in no time irrespective of whether you have the App of that particular cab company or not and these are all will very big leap forward and it is win-win for both the cab company and us. Similarly there are lot of stuffs that we are doing on getting a plumber on demand, an electrician on demand, a lot of other stuff that we are doing similar lines as how the cab companies work, so it all takes time and effort and lot of detailing and there is no such gearing hurry that you want to do it because somebody is there saying I am housekeeping company, I am housekeeping App and all of that. We believe and we sincerely believe that people anywhere in the world would not like to have multiple apps to do several things, we would rather have a single app to do several things. All these are very good ideas to raise the money but if you come out in the market and really try to work and make money out of these things it is not that easy a task and India is not that a big huge market that you can have all kinds of verticalized Apps and then you can make money. But it is a good storey to raise new money for a VC story. We are far more mature. We know we already make money from those segments and we know exactly what is the need of that segment and we are fulfilling that.

Nitin Mohta: My second question was again on the core search business now I did hear your initial comments and earlier Ram was on television talking about it will take a couple of quarters to kind of get back to our earlier growth rate but was there any negative surprise in the quarter and any of you obviously give examples about more doctors paying you more restaurants paying you but any vertical which got affected or it was just no increase in the sales force which kind of had an overall impact on the portfolio?

V.S.S. Mani: So to be honest we do not give guidance. I think we should have done. Had we given guidance we would have probably told the market that is this is how it looks like because our revenues get accrued over 12 months and most of our revenue we take upfront so there was clarity that some kind of a trend like this but we did not take quick enough actions to hire more people, get more customers on board. It was a mistake probably at the top management level we were all focusing on the launch of new app rolling out lot of things, we thought like it would not be so adversely affecting us but now we learnt that it has adversely affected us and these are fundamentals of our business which we ignored and that is where we are focusing back to know where the actual money is.

Nitin Mohta: If I can just squeeze a last one, again on the timing perspective and I know you guys are focused on building it over a longer term but just the way the kind of question that we keep getting from our

client base, one the advertisement push would it be fair to say that we will at least see that happening in 2015? Secondly on the growth rate back in the search business what should be the timeline that we should be working with? I know you do not want to give guidance but would at least next two to three quarters be back to that run rate, we will we have some management focus shifting back on that?

V.S.S. Mani: Management focus has shifted already. It is just that it takes time to see the outcome, you are correct by saying like two to three quarters we should see this.

Nitin Mohta: The advertising expenditure the rollouts?

V.S.S. Mani: I am also targeting before this year-end we should start our advertising. It is just that you know there are a couple of things that we are waiting for and our effort is to do as early as possible. A little bit of advertising we have started actually, in multiplexes and other places.

Nitin Mohta: Thank you.

Moderator: Thank you. The next question is from the lien of Rishabh Chudgar from Enam holdings. Please proceed.

Rishabh Chudgar: Just wanted to ask you a little bit the same, the previous question a slightly different besides the revenue part can you just give us some sort of colour or an understanding on you know from an engagement perspective how was the new App sort of impacted business or you know how would we sort of think about your market share from an engagement perspective vis-à-vis the new apps that has come in?

V.S.S. Mani: The initial response is very good but I do not want to really go by that. We have seen a surge in the usage of apps by 40%. The key trend is continue to grow and we are not happy about this kind. We can do much, much more so there are certain key elements towards that are what virtually with the complete launch we could see. One thing I can assure you when we have this launch you would say that boss, this is one of the best apps I have ever used or this is something indispensable. That is what our goal is with this new app which when completed and when an evangelist set it up for you, you would say what I do not want to go back the old way to do things.

Rishabh Chudgar: My next question was you know just on the core sort of search business what are the kind of churn rates that you are seeing right now has there been an increase in the churn rate or has that remain for the stable?

Ramkumar K: We have not seen any material change in that at all.

V.S.S. Mani: Probably it must have improved. I am seeing this 70% is renewals contributing.

Ramkumar K: No it is more or less stable.

Rishabh Chudgar: That is all from my side and good luck on the quarters ahead.

Moderator: Thank you very much. The next question is from the line of Ankit Kedia from Centrum Broking. Please proceed.

Ankit Kedia: My first question is on your hiring targets, is the hiring activity behind us now one for the core business, two for the evangelist program for Search Plus?

V.S.S. Mani: I think for sales is in progress. We might continue to hire for the next two quarters and hiring for the evangelist is not yet started because deliberately we want to wait for the profile session to get completed.

Ankit Kedia: So what could be the headcount addition for this year and next year?

V.S.S. Mani: For the evangelist activity we are not hiring people actually. It will be freelancers.

Ankit Kedia: So for the sales force what could be the target for this year and next year?

Ramkumar K: Add 1000 more people on the sales specifically on the feet on street, touch points to the consumers over the next two to three quarters.

Ankit Kedia: Second question is on your omni channel strategy last quarter concall you spoke a lot about that could you give us some progress on that and how is that shaping up?

V.S.S. Mani: That shaped up very well. In fact we are super excited. There are certain implementations in progress. We are getting fantastic customer feedback and a little bit of fine-tuning is getting done and I think by the end of this year we should full-fledged ready to launch at least for couple of verticals.

Ankit Kedia: Sir also you spoke on the inventory management program for the SMEs and vendors which you also would be launched at the same time so has that pilot kicked in?

V.S.S. Mani: Omni encompasses everything inventory management to billing to the works, publishing inventory, interparty site.

Ankit Kedia: Sir my last question is again on your core search business you talked about the rationalization of the premium products so is it that instead of giving leads to two premium customers the platinum and the gold now we will have three customers, three vendors there and all leads will be given to them and hence we have taken rationalization of the pricing is that the understanding or is it something to different?

V.S.S. Mani: No it is something different.

Ankit Kedia: Sir could you please elaborate because that could actually really change the way vendors look at it because we have not given much color on that actually so it might be your secret sauce but then at least a bit of taste for us really would be good?

V.S.S. Mani: Just a taste you would like to you probably will taste it in the next quarter or two you will get a good taste of both.

Ankit Kedia: That is helpful Sir.

Moderator: Thank you. We will take our last question from the line of Sandeep Agarwal from Edelweiss. Please proceed.

Sandeep Agarwal: Sir, I have on question for Mani Sir once again and it is actually a question, which my clients also ask me so apologize if it is not the right question. Mani Sir, I just wanted to know one thing like you have rightly predicted that the future of e-commerce in India is the marketplace model and we have seen people burning billions of dollars and after that returning back to the path of marketplace model and now probably they are talking about gross margins being positive because now it is a marketplace model so they do not have to sell at loss from the gross level. My question is that these people who

have actually been able to burn six seven billion dollars by selling at prices lower than they are purchase price at gross level and all those things, will they not be able to burn another six hundred seven hundred million or a billion dollar in the advertising and marketing to get much ahead in the marketplace model compared to our rational budget of 100 Crore so what is your thought on that because this is one question which many people are raising in the investor community?

V.S.S. Mani:

No it is quite clear and evident now Indian consumers are perhaps the smartest in the world they are always looking out for deals and they are always looking out for who is giving me the better price so irrespective of how much you advertise. Let us say some big brand advertised last month saying that some real big day or something like that - it is quite possible some competitor took away lot of that business because the very same consumers were also checking out those sites and they found the prices cheaper they went and bought there. So in India I strongly believe it is extremely - on a level playing field - extremely difficult to compete with small and medium business. They are super smart they work on wafer thin margins and are nimble footed they can give you the kind of service which large companies cannot hence I think it is all level in the next few quarters you would see that would some good sense will prevail. Things will start selling at a rational price and that is when a fewer marketplace model succeeds and a pure market place model we do not have to spend so much money, you need to have a efficient market place. That is it.

Sandeep Agarwal:

Sir I understand that part but my worry is on this side that is people being irrational for last so many years and being burning so much of money so you know they can again take call that let us burn another one billion dollar we have already burnt 6-7-8-10 billion dollar so another one billion should not be a big money and let us get a lead in the download of the app or let us say in the advertising market or the marketing side and all those things and while we have a rational budget of 100 Crores so how do we compete with these people who can actually spend 50 times more money than us in the advertising and marketing side?

V.S.S. Mani:

So if the spend is going on to subsidize the prices of product is good for us we will also tell who is the cheapest buddy go and buy it here. It makes us even more useful because we are going to provide information about dozens of them and we will say, oh! Look this guy is cheapest now and you can go and buy there. That is the trend. Currently I am sure the users like you are also when you want to buy things you are going and checking out in multiple sites and then deciding to buy from one of them. It is not that you are struck to one guy because he is advertising a lot, so long as the money is spent on subsidizing and you get the best price you would go. I think that is the right way we have chosen so more the advertising the large companies do or whatever the kind of e-commerce companies that you are talking about good for us because people would come to JD to check the prices and which is the best and we will continue to drive traffic these sites if they are really giving good prices and make commissions from that, if not the local vendors could be cheaper so we are fine with that situation.

Sandeep Agarwal:

If this money is being spent only purely not for subsidizing the product but for pure advertising and marketing and you know being a spent to bring the brand or getting more eyeballs and all those things rather than subsidizing the product then probably we will be at par with them in the type of spend we are going to do of those 100 Crores budget or something then in that case probably we will be little short of those kind of budget I mean how do you see that?

V.S.S. Mani: Definitely that is not working. Just spending money on advertising is not working. If you check with companies they will confess that that is not working anymore it worked the initial days now after few years it is just not working because people have got smarter, they want to find where they can get a best price. I am talking about the consumer durables, branded durables.

Sandeep Agarwal: Thanks. That is all from my side.

Moderator: Ladies and gentlemen due to time constraint that was the last question I now hand the conference over to the management for closing remarks. Over to you!

Rankumar K: Thank you dear friends and hopefully this quarter will be behind us and we should see improvements happening over the next few quarters as we mentioned and look-forward to interacting with you next quarter. Thanks.

Moderator: Thank you very much members of the management and Mr. Malhotra. Ladies and gentlemen on behalf of Citi Group Global Markets India Private Limited that concludes this conference call thank you for joining us. You may now disconnect you lines.