



**Just Dial Q1FY17 Conference Call
August 17th, 2016**



**SPEAKERS: MR. V. S. S. MANI – FOUNDER AND MD;
MR. RAMKUMAR – CHIEF FINANCIAL OFFICER**

Moderator:

Very good afternoon, ladies and gentlemen. I am Sourodip Sarkar, your moderator for this session. Thank you for standing by and welcome to the Just Dial Post Results Conference Call. For the duration of presentation, all participants' lines will be in listen-only mode. We will then have a Q&A session after the presentation. I would like to now hand over the conference to Mr. Rishit Parikh. Thank you and over to you, sir.

Rishit Parikh:

Thank you. On behalf of Nomura, I would like to welcome you all to Just Dial's first quarter 2017 conference call. We have with us the senior management of Just Dial including Mr. V. S. S. Mani, the founder and Managing Director as well as Mr. Ramkumar who is the Chief Financial Officer. Now, without taking too much time I would like to hand over the call to the management. Over to you, sir.

Ramkumar:

Thanks, Rishit, and good evening friends. Let me give you the highlights of Q1. Our operating revenue increased by about 6% to 176 crores. Our adjusted EBITDA was at 34.53 crores, adjusted EBITDA margin was at 20% and net profit increased by about 8% to about 39 crores fueled by other income and then net profit margin was at 19%. Some of the operational highlights I would like to give. We had a total net campaign as of 30th June was about 3,89,000 representing an increase of about roughly 20,000 on a sequential quarter basis. Total number of listings were at 16.6 million constituting a year-on-year growth of about 8%. End of June we had 11,900 employees representing roughly about 800 odd employees added during the quarter and we continue to have about 32 search plus services.

Just wanted to dwell into some of the highlights during the quarter. Obviously as we mentioned in the Q4 call itself that we are in the execution phase as far as sales and revenue is concerned, we added about 600 people on the sales particularly feet on street and we are seeing green shoots as far as the overall sales is concerned which is represented in the number of campaigns going up by roughly 17000, you know, we had 20,000 odd total, there were about 3500 Omni within that. So we are executing it. We hope that the benefits of whatever we are doing should be visible in the next few quarters as we continue to invest in the sales as well as invest in technology and product infrastructure. That is one.

On Omni we had made, you know, we have got feedback from businesses based on which we made improvements in the product as well as we are rolling out Omni for services. With these, we believe that we will be able to scale up in the subsequent quarters. And on the Search Plus side we have completed the shooting of the commercial with Mr. Bachchan and we are ready to advertise. We should hopefully start airing the commercials from September onwards. So we are more than happy to answer any questions at this point of time.

Moderator:

We have the first question from Mr. Rajeev Sharma from HSBC. Your line is unmuted. You may please go ahead and ask your question, sir.

Rajeev Sharma:

Yeah. Thanks for the opportunity. Just a couple of questions from my side. Sir, 20,000 campaign addition, sir, if you can help us, you know, what's driving this in this quarter and despite that revenue growth sequential basis is not impressive and has there been, you know, some discounts which have been given or, you know, we are bringing down the price points? And second is, you know, advertising Search Plus launch is generally always one or two months ahead of the earnings call for the last so many quarters, you know, when exactly, you know, what is delaying this commercial launch when you've invested so much in this product, you know, is just concerned, so if you can help us understand that? And the EBITDA margin is this the normalized EBITDA margin once you are looking at because they are down from, you know, at a point in time from 30-32% to half the numbers, so your thoughts on this. Thanks.

Ramkumar:

As far as the first question is concerned, definitely the net campaign addition if you look at it, you know, there's always a lag between addition and the reflection in the revenue. And so you would see that the benefits of this are flowing through in subsequent quarters, that is one.

As far as deals and discounts, we have no given any deals or discounts; it's been a normal as far as the pricing is concerned and it's just that the proportion of smaller cities overall as a percentage in revenue has gone up because of which the average realization you are seeing a pressure on, you know, the numbers. So it's more due to the mix effect that has come into play. Before I hand over to Mani on the Search Plus, what was your third question, Rajeev?

Rajeev Sharma: It was on the EBITDA margin, you know, is this the normalized rate or.

Ramkumar: Right. On the EBITDA margin side, as I mentioned, we are continuing to make investments on the sales front as well as technology on the product side and we continue doing that. But we are confident that once sales comes back to double-digit growth that you will see improvement in margins. So today unfortunately, you know, due to the lower sales growth our margins are depressed, but once we get back into the accelerated growth path, margin will also come back. So to answer your question of is this the normalized EBITDA margin - definitely not. The growth will come back; these are abnormal times as far as growth is concerned. Definitely we will come back; we are confident based on the steps that we have taken the growth will bounce back to the double-digit historical level. Hopefully, whatever steps we are taking should see us the complete benefits we will see in FY18 and we are hopeful that margins will also bounce back during that time.

V. S. S. Mani: Right. So regarding the advertising we shot with Mr. Bachhan and you will see soon these commercials coming on television. There has been a delay and initially it was a deliberate delay from our side that we were not satisfied with the product and the way it was, so we thought like this better that we have our acts right and then start advertising and later we had some challenges with dates and all that. Now, we are kind of done with it, so you should see the commercials coming in the month of September onwards. And we intend to finish the first campaign before the Diwali season and then we will again restart after Diwali.

Rajeev Sharma: And that means monetization of Search Plus will start soon?

V. S. S. Mani: See, both in Search Plus I think it's extremely, extremely important - Just Dial has been a household name for years together. We have been around for 20 years. It's a big launch for rebranding Just Dial and just to promote the Just Dial app and how it is no more just Search, you can probably check for ratings and also one-click your job is done, so that's the kind of message being sent across through this campaign. So it will be a big revival for even the core Search business, you know, and which is going to be a big plus for us and that's what we are going to highlight to both users as well as

businesses in the campaign. Search Plus - I don't see that to be a major revenue growth for us. I see more of core search contributing to the revenue growth and that's where our efforts and traction are.

Rajeev Sharma:

Mani, just a small follow up. That seems to be a change in strategy in the sense that Search Plus you envisioned as the next growth platform, now you are suggesting that we are going back to Search as the most important product; I am little confused as to, you know, is this a change or how should I look at it?

V. S. S. Mani:

I've been saying the same thing for the last two years that Search Plus is absolutely mandatory for Search to survive. You cannot have search engine without a transaction capability, so that is why Search Plus is immensely important but how do you go about monetizing Search Plus is a long, long story; you cannot really jump in it right now. Let me also appraise you about certain things that are happening in the ecosystem right now. Let's say on the B2C side when you look at, you know, simple things like food delivery and restaurant business you see that there's so much of cash back involved and people are giving like 10%, 20%, 30 % cash backs and we would never get into that kind of desperation to add numbers to show to the market to get some great valuation because we are not that kind of company. So that environment has to change. And I strongly believe even if you monetize Search Plus, there has to be a unit economics in every transaction. We can't just keep on losing on every transaction and then prove to the world saying that one day we will have all these margins and that will add up to it. So I am not one of those believers. Hence, I don't want to set the market expectation right now as revenue is flowing through Search Plus; I think, overall Search Plus and Search Package and Omni is one product is what is going to fetch our revenue.

Rajeev Sharma:

Okay. This is helpful. Thanks a lot.

Moderator:

Thank you very much, Mr. Sharma. Moving on to the next question we have Mr. Arya Sen from Geoffrey. The line is unmuted. You may please go ahead and ask your question.

Arya Sen:

Yeah. Hi. Good evening, Mani and Ram. Firstly if you could give some colour on JD Omni especially number of vendors that you've signed up so far and how you see

that ramping up and what are the changes in the product that you've done?

V. S. S. Mani:

So on Omni what's the exact number?

Ramkumar:

Total 6000 contracts have been signed till 30th June.

V. S. S. Mani:

So we've signed about 6000 businesses and we rolled out the execution of this and we learnt a lot more from it. One of the things that we learnt is the businesses needed a quick set up, you know, a kind of a short cut to do things, you know, much faster. So we worked on something which could be like, you know, set up vendor's account by within an hour or so, you know, pretty much, in fact, linking its inventory to exporting its sales to tally and all those things those features we are missing. Those features are added now. And secondly what was required from customers' side was they wanted a robust, you know, a customer facing, you know, CMS interface which again we have built it where it is completely configurable where a person can add a number of colours, banners, you know, there are pallets and there are various things like social media integration and stuff like that...all that is done. So we deliberately in the last quarter we kind of slowed down on approaching Omni particularly on the services side where we were not prepared because that is not yet built, so we kind of slowed down on that. So once we go after this new development, I think, the numbers should pick up for Omni as well.

Arya Sen:

Right. And, sir, the number in the last quarter end was about one-and-a-half thousand vendors or two-and-a-half?

Ramkumar:

Two-and-a-half.

Arya Sen:

Sorry?

Ramkumar:

Two-and-a-half.

Arya Sen:

Two-and-a-half? Okay. Sir, Two-and-a-half has gone to six. And what is the revenue contribution from Omni in this quarter?

Ramkumar:

It's about roughly 5.5 crores.

Arya Sen:

And how many of the vendors are on, you know, upfront one-time payment scheme versus sort of recurring scheme?

- Ramkumar:** Roughly the split is 30:70. 30% upfront and 70 % on the monthly payment.
- Arya Sen:** Okay. Monthly payment what's the quantum of payment?
- Ramkumar:** See, the monthly payment we have couple of options. One, we have a 20,000 set up and 2000 per month and we also have a product of 20,000 and 3000 and on the upfront that is about 65,000 and then we also have a 99,000 product. So we have various combinations. And we keep, you know, tinkering and making sure that we optimize on this.
- Arya Sen:** Right. Understood. Secondly, on the Ind AS is there a change in the way you recognize your revenues?
- V. S. S. Mani:** Yes. So last year we had an activation fee which we were recognizing which was approximately about 2000 per contract and that has been in Ind AS we spread over the period of contract is roughly about one year, so we have an impact due to that on the revenue. So, yeah, that will be the impact of Ind AS on the revenue front.
- Arya Sen:** Okay. Understood.
- Ramkumar:** The Omni revenue that we recognized in Q4, you know, that goes away and that's recognized over a period in this quarter actually.
- Arya Sen:** Sorry. I didn't catch that. Could you repeat that?
- Ramkumar:** Omni in the previous quarter we had about roughly 3.5 crores that, you know, as per Ind AS that is not recognized and then that comes into subsequent quarters.
- Arya Sen:** Okay. So some contribution of this 5.5 crores of Omni in this quarter includes what was booked in last quarter and now will need to be spread out?
- Ramkumar:** Absolutely.
- Arya Sen:** And how much would that amount be out of the 5.5 crores?
- Ramkumar:** See, roughly out of the 6000 that we signed we recognized revenue for about 2000 contracts. So it's very difficult for me because we have taken everything

in total and looked at from a total perspective what is recognizable from an Ind AS perspective. I don't want to speculate at this point and say that how much quantum has come out of that. Suffice to say that of the 6000 that we've signed till date, out of it we have recognized revenue for 2000 contracts.

Arya Sen: Okay. Fair enough. Thirdly, there were some mention of, you know, possibility of we are looking at another buyback if you could clarify on that?

Ramkumar: No. That was a hypothetical question that was posted saying that if we were to do a buyback, would you be considering it; my answer to that was we cannot do a buyback unless there's a 12-month gap between the previous, you know, two buybacks and the last buyback was completed on March 16. So technically we can't do another buyback till April 17th.

Arya Sen: Okay. Understood. And lastly, I noticed that, you know, you are giving so basically you are waiving off the convenience fee in booking tickets for movies, so, you know, that sort of I don't know whether it can be called discounting, but that sort of thing can be expected as part of Search Plus, I mean, what other such, you know, similar incentives, so to speak, would you be considering?

V. S. S. Mani: Yeah. That was definitely a promotional stuff we took just to create our banners and also have people test our services. Going forward, yeah, we will do it in a very small-scale, yes, we would probably do some of these promotions to get people who don't do some of our services.

Arya Sen: Okay. Understood. That's all from my side. Thanks so much for your time.

Moderator: Thank you very much. We have the next question from Mr. Pankaj Kapoor from JM Financial.

Pankaj Kapoor: Hi. Few clarifications on what's the kind of advertisement spend we are looking at in the second quarter and in the subsequent quarter this year and you mentioned that there could be some margin headwinds because of that, so is it possible to quantify the ad spend and which I believe would be the major headwind to margin? That's the first question. Second on the tax rate it seems to be fairly low this quarter, so what was the reason for that and what's the outlook?

Ramkumar: Yeah. As far as the ad spend is concerned, it will be calibrated perhaps 20 crores per quarter...we may look at and that's something which we will look at it each quarter, look at the response and then make the subsequent stand. That's how it's going to be. I had mentioned earlier 100 crores - that's over a period of 12 months, so you would have, you know, you can make your own assumption on how much would be in FY17 and what is the flow through in FY18. And what was the second question, sorry I missed?

Pankaj Kapoor: On the tax rate.

Ramkumar: So it is more to do with the other income that we had. So what has happened is that we recognized about 20 crores of mark-to-market gains on other income on the investments that we had; those were indexed at lower tax rate because of which the tax rate got lower. But I would say that the mark-to-market gains that we would continue to see on our investment particularly on the debt portfolio of fixed maturity plans - we would see normally these would be indexed and these from an effective tax rate perspective would be very low as compared to other income. So in subsequent quarters you can expect similar kind of tax rate to continue.

Pankaj Kapoor: So you think that we should be having effective tax rate of roughly about 20-21% only this year, is that what you are hinting it?

Ramkumar: Anywhere between 20 to 25%.

Pankaj Kapoor: Okay. Fair enough. And lastly on the revenue being lower - you mentioned that this is because of the higher share of tier 2, tier 3 cities coming in. You also mentioned that the full impact of the sales headcount addition is going to flow in into the numbers with a lag, so does it mean that the average revenue per campaign matrix could continue to trend down further from here?

Ramkumar: See, it had more to do with the mix; I was mentioning on the mix effect on the average realization, that is one. Also, you have to realize that we are also expanding the top cities in the, you know, the top five cities there also expansion is happening. So once those expansions come up, then the mix would sort of balance itself. So what we are seeing right now is the lopsided effect of impact on more of, you know, smaller towns and smaller cities of the top 10 having a disproportionate share of the

growth because of which mix has changed. So that's what it is. It should get back, once the top cities growth rate comes back.

Pankaj Kapoor:

Okay. Are you seeing some loss of or attrition in the paid listing in the tier 1 cities because of the vertical specific apps or website which are coming in?

V. S. S. Mani:

Definitely an impact of some of these. See, I'd like to highlight some of these broad challenges that we have. One is our best friend Google has now become the local search destination, so they are kind of putting up local listings upfront so the traffic that we used to enjoy for free is no more there. So basically we have to get paid traffic only from Google, so we have to find a way out, you know, how to handle this thing. The other thing is there is still a lot of indiscipline among the vertical players pretty much most of them are throwing away money and, you know, so those kinds of segments, you know, we get affected a bit. So overall I would say I think we need to focus a lot on driving direct traffic to Just Dial and some of those vertical specific aberrations that are there we need to have the patience and perseverance to go through that stage because we don't want to emulate any of those strategies because those strategies don't pay off, as you know that some of these companies are also winding up. So this kind of a thing in the short-term these pains will be there. And what Just Dial has to do right now is like good old days get the user directly to Just Dial whether it's app or the website or the services. So that's what is going to be our core focus now.

Pankaj Kapoor:

Okay. Got it. And lastly if you can give me some colour on this de-merger that you are planning for the Just Dial Global, so what exactly is the rationale here and how is this going to be transacted out if you can give me some colour?

Ramkumar:

Sure. So we had this small data and content team which was operating in JD Global as part of the international operations, you know, our idea is to consolidate all the international assets under the umbrella of Just Dial and hence as a part of this strategy, we are, you know, bringing in the divisions which was running under JD Global into JD India so that all the international operations are rolled up under JD India. So that's the rationale and idea behind the de-merger.

- Pankaj Kapoor:** Sir, this JD Global is it a subsidiary of Just Dial India or it has a different ownership?
- Ramkumar:** It's a different entity. It's a totally different entity.
- V. S. S. Mani:** Financial involvement is
- Ramkumar:** It's just 11 lakhs.
- V. S. S. Mani:** 11 lakhs
- Ramkumar:** The consideration is 11 lakhs. It's a very small immaterial this thing.
- V. S. S. Mani:** It's just that a lot of international content that we built over a period of time that needs to be merged with the India business, you know, and JD Global as an entity wouldn't exist doing this activity.
- Pankaj Kapoor:** But what the ownership of JD Global is different and, I mean, is it a subsidiary owned by the Indian entity or the ownership is different?
- Ramkumar:** Okay. I will tell you. JD Global is owned by pre-IPO shareholders of JD India.
- V. S. S. Mani:** So basically the rights for Just Dial operating anywhere in the world has been transferred to Just Dial Limited and with this de-merger all the content and other activities also get transferred to Just Dial Limited. So there is no rights for Just Dial Global to do any such activity. It's just that certain formalities were pending, so that's getting done right now with the de-merger; that chapter gets closed.
- Pankaj Kapoor:** Got it. Thank you and all the best.
- Moderator:** We have the next question from Gaurav Malhotra from City Group.
- Gaurav Malhotra:** Yeah. Hi. Thank you for the opportunity. Just a follow up question on JD Global. Sir, does that mean that, you know, the plans are to sort of expand the Search across geographies and if so then which are these geographies? That's the first question.
- The second one is on Search. So we are essentially just to clarify we are saying that the realization has sort of come off because the mix has moved more towards the smaller towns, is that correct?

- Ramkumar:** Yes.
- V. S. S. Mani:** See, the numbers will definitely because under-penetrated markets when you reach, then they are going to throw numbers is definitely the case. But also the fact is that we need to grow our businesses in the tier 1 cities which has seen a slowdown in the last one or two quarters, so that's something which has been a dampener which is getting corrected now and we should bounce back to some reasonable decent growth.
- Gaurav Malhotra:** And internationally?
- V. S. S. Mani:** International, yes, we have these aspirations to do that and more and more our product shapes us the way it is. It gives us more courage to launch it in other emerging markets, but the strategy is most likely to be less drain on capital and more about building great product and content and based out of our, you know, these centres in Bangalore and Chennai we have majority of the international office operating out of these places. And we have done some good work for, in fact, even developed economies like US if you can check on our app, you would see that, you know, pretty robust and a very decent one and so we will figure out a way to monetize it without taking too much hit on the bottom line. So that's the idea.
- Gaurav Malhotra:** Sir, this essentially includes Omni or this includes all the product suits?
- V. S. S. Mani:** Omni will follow later; it's just the JD product the way it is this - Search and Search Plus products.
- Gaurav Malhotra:** But most of these geographies have some sort of an existing, you know, well influenced player who is already doing it, so what would be the strategy to sort of gain user traction there, would you be partnering with some local there or would it be done, you know, from Just Dial itself directly?
- V. S. S. Mani:** We will completely do partnership. See, we want to sit on top and be the destination like you come to JD and then figure out where and then do, you know, transact with us. So, for example, if it is restaurants, you may be able to book a table, but the table reservation will be from open table, you know, or buy a movie ticket from one of those movie ticketing sites, other event tickets from event ticketing sites or doctor's appointment from

a doctor's appointment site or travel from Expedia or hotels.com. - so that's how we like kind of integrated it.

Gaurav Malhotra:

Okay. Sure. Thank you.

Moderator:

Thank you very much. We have the next question from Mr. Chandan from Motilal Oswal.

Chandan:

Hi. Thanks for the opportunity. Is it correct that we also have plans to launch our own version of taxicabs something like Uber, is that right?

V. S. S. Mani:

I hear these companies are losing couple of hundred crores every month. No. We don't have any such plans; we only are aggregators. We only aggregate other people in one platform and you can see right away when you search for taxi, you get both Ola and Uber and other providers.

Chandan:

Right. Sure. And finally on the international part of the business if you can just explain like little bit more in detail like what kind of opportunity do we see in terms of, you know, revenue, opportunity and the markets that we would be targeting?

V. S. S. Mani:

It's a very early stage. I don't want to comment on any of these things. There is opportunity as a search engine, as a local search engine, as a one place where you can do multiple transactions, you know, there is huge opportunity there. There are lot of mature markets where you partner with the vertical players – there is phenomenal kind of thing that you can do, but then, see, like we have to do a good job in India, India business has to stabilize, then getting on to those things. So those are all on the cards but right now the timing of it I don't want to share anything nor do we have any specific timelines for these products.

Chandan:

Sure. Thanks a lot for that.

Moderator:

Thank you very much. We have the next question from Mr. Ravi from Elara Securities.

Ravi:

Thank you for the opportunity. Ram, if I heard you right, you know, it is about 5.5 crores this quarter from Omni, so, you know, if I back that out from your overall revenue, you know, it seems like we've really budgeted very little from last year despite adding, you know, quite a number of campaigns, so, you know, does that mean that some of your existing campaigns to in the top

cities, I mean, we've undergone a change either in terms of, you know, them moving to a lower tier or, you know, we've lost some customers and either our customers at a lower price point?

V. S. S. Mani:

Yeah, there are several reasons. Actually there is one thing that we introduced a few quarters back was vanity positions after the first, second, third and we later on learnt that actually many of our people who are on the first, two, three positions actually swapped it to the third, fourth and fifth position. So, you know, there were certain things that probably tainted our revenue from the tier 1 cities. There is also some kind of a pricing pressure, you know, on certain hot keywords, you know, people were finding it, you know, little expensive although they do agree that their best return on investment is Just Dial, you know, for them compared to all other mediums, but that's been the case. And also the contribution of tier 1 cities can also pull down your average. So anyway the overall pie hasn't grown at all, so I am not very happy with that, you know, we are quite disappointed. It could also be because of too much of distraction, management trying to do too many things, you know, there is this, then Omni, there is, and eventually you don't achieve much significantly. So there are lot of things that we have to get our acts right, you know, we are trying to get all those acts right. So let us see. Like Ram said, by the fourth quarter we should go back to the double-digit growth.

Ravi:

Sure. And at the broad level, you know, your 16.6 million listings that you have right now what is the sales roughly between, you know, the top 10 cities versus, you know, the rest of India?

Ramkumar:

See, about 56% of that is coming from the top 10 cities.

Ravi:

All right. Great. Thank you.

Moderator:

Thank you very much. We have the next question from Mr. Girish from Goldman Sachs.

Girish:

Thank you. Can you share the traffic that comes from Google how much of that is, you know, paid and how much of that is, you know, just organic and non-paid traffic?

- Abhishek:** So overall about 82-83% of our traffic comes from Google, again, out of that around 80% is organic, rest about 20% would be inorganic.
- Girish:** And how is that matrix 20:80 changed over the last one year, any thoughts concerning this?
- Abhishek:** Last one year or so obviously the inorganic pie has grown, but again we are very conscious on our overall inorganic spend.
- Girish:** Sorry. Hello?
- Ramkumar:** So the inorganic spends, as a proportion, has gone up but then it has not gone up significantly because we are focused on making sure that we optimize the spend. We don't overdo it.
- V. S. S. Mani:** So the paid traffic was how much before?
- Abhishek:** About 15%.
- Girish:** 15 has gone to 20. [Multiple Speakers].
- V. S. S. Mani:** Yeah. So what used to be 15% of traffic paid from Google has gone up to 20 which means we are spending more on Google, but we are not happy doing that.
- Girish:** Okay. And what percentage of traffic is through app direct?
- V. S. S. Mani:** App direct traffic is surprisingly much lower compared to mobile traffic - whats the break up between app and?
- Abhishek:** So between our mobile site and app about 85% comes via our mobile site, rest about 15% comes on our app. But one key reason there is that we are happy getting users first on our mobile site rather than pushing them more on our app. So whenever our user searches for any particular keyword on, say, Google or any other search engine, unlike others we don't prompt the user to go to our app first. We are happy if the person lands on our mobile site because objective is to provide information at the earliest.
- Girish:** Sir, just to understand, is it 82% from Google, balance 28% would be direct, of that 28%, 85% would be mobile and 15% would be app, right?

- Abhishek:** No. So 82% comes from Google, rest about 18% would be direct or referral traffic. Overall, of the 100% pie split of, say, around mobile traffic is about 55% of our overall Internet traffic, within that 55%, about 85% comes from mobile site, rest through apps.
- Girish:** Thank you.
- Moderator:** Thank you very much. We have the next question from Mr. Kaustav from SKS Capital.
- Kaustav:** Yeah. Hi. So firstly is it possible for you to provide me with your number of unique members for this quarter?
- Ramkumar:** Yeah. It's about 75.8mn for the quarter.
- Kaustav:** Okay. So, I mean, looking at your low growth or like low traffic in your app, I mean, as a customer, I would say that, you know, it's too much in one and for any app that's successful if you look at, I mean, it's not directly comparable but you have features of Yelp in your app, you have many different other types of apps features of those in your apps, so user interface is a big part of this and I feel like your user interface needs to keep improving which, I don't know if it's happening or not because I haven't used your app much, so what's your policy on improvement of user interface for your apps?
- V. S. S. Mani:** I think, either the app grows virally the way, you know, the social apps grow, all apps has to be promoted. Apps don't pick up on their own, you know, that's like you have been talking to us on this analyst call and you have not used our apps, so I think the first thing I would have done is tested the apps a lot so that I can ask more questions to these guys. The point is that's because the way consumers are and they have this inertia to get on to something unless it's pushed on to them, so you would see that these campaigns that we run will definitely motivate a lot of people. Yes, once people try it, then they would see a good enough reason to why not stick on one app than use several apps and that is definitely you will see that JD will not disappoint you on that. So, for example, for shopping, shopping people have this tendency to compare prices with different ecommerce companies, so we don't have to do that; you just come to Just Dial app, you get the prices of the leading online players as well as the offline players. So it's a very much, much more convenient and more common sense to use this app as compared to the other apps. When you click on those links, supposing, one of

the ecommerce players you see, if you click on those buy now tabs, you actually land on the page where you can just go ahead and one more click you buy it. So that's how it is. So basically we have been promoting it.

Then the other challenge is also, for example, a large percentage of our own employees don't use our App. The reason for that is, say, well, I go to this wallet app and they give me 10% cash back on paying bills, I go and use this restaurant app, he gives me Rs.100 cash back on every transaction. So they are, you know, similarly some of these online shopping sites are giving phenomenal offers. So you either have to match up to them or you just give their information and people actually go there and do the transaction. That's the reality, you know. So app addiction, if you see, if you take the top 10 non-gaming, non-social apps, you would see 10 out of 10 are disbursing money in a nice way, you know, in a beautiful way, so you would see that. So, now we as a company we don't believe in that; we built this company out of zero capital and we value every penny that we earn and we always look at how to continue as a company for the next 10 years. We are not worried about the next round of valuation or the market cap of the company or the flavor of the season, so those are the things. So I think we are probably from the dinosaur era we don't fit in today or maybe I am totally right and only time will tell you that, you know, what is right.

Kaustav:

So what's your stance on competition that Just Dial is facing?

V. S. S. Mani:

What should we call as competition, for example, I think the biggest competition for Just Dial is Google. There is none of the others as competition because everyone else is doling away money. So if you are doling away money, then you can't be my competitor. If you are not giving away money and you still have users flocking to you and one interesting thing that Google has done now I notice that when you search for restaurants, they have this order online tab and you need to click on it, you go to one of those vertical players, so that's a very smart move from Google. So when you search for movies, they do ticketing there. So those are real competition; that is real competition. We need to learn how to counter that competition.

Kaustav:

So, let's say, I am looking for a restaurant, what puts Zomato over Just Dial in the search space because I feel

like you are overlooking competition from Scootsy, Zomato which are big players they are just not public but..

V. S. S. Mani:

I think Zomato is a great product. It's a very high quality international product, but their business model is also different. They have burned like 500 crores last year to build whatever they have. They've burned 280 crores...

Kaustav:

The amount of money they have burned does not change the amount of users that's going to you or going to them... So that doesn't change my stance on the amount of users coming into future to Just Dial.

V. S. S. Mani:

Why not? That time will tell; that you cannot predict whether this is not because you would see that there were days before Google also people were still searching and they were going to some other sites. They switched to Google because Google was better and there will be something else which could be better. There is Facebook which today people are spending more time on Facebook today than on Google. So these things can happen continuously. I think, see, what is important is - I agree on the comparison of, let's say, on a restaurant vertical basis, I think Zomato is miles ahead of us. That's a great product. But when it comes to an overall business model, no, we are two different companies. I think we cannot be compared at all. And I believe that companies that make money will always make money; as a company if they don't make money, always continue to lose money. So there has to be somebody to fund this company, so that's the thing. The point is I don't want to talk so much about any competition. I am saying we have this problem - how do we handle this ecosystem where there's so much of money that gets into, you know, getting both users as well as, you know, what you call as advertisers or, you know, in place. So this is a very tricky time actually.

See, building a great product is an ongoing process; it's always like building a great technology, you know, like there are so many technologies that get built, but sixth month the clone for that also is available in the market. Most of the world class technologies will get an open source version as well. So these are all catch up games, you know, but most important thing is the rock solid monetization model - do you have that in place and how long you can sustain this.

Kaustav:

No. I was asking this question is because now it has come down to the standpoint where the main focus for your company is management execution because from my perspective you have a great idea, I mean, this idea in different forms has been successful globally. I think globally you have immense competition, but I think, you know, this whole idea of this app has been successful globally and now I feel like it just come down to execution, so that's the main thing for Just Dial, that's why I was asking this question. So if you have any comments on that?

V. S. S. Mani:

I agree with you. Execution is key, but we have also taken a very ambitious project. We have taken a project which is all-encompassing, it includes so many verticals because we are a horizontal. Now, either we have chosen the path that Google has taken like, you know, go and shake hands with all the vertical players, and be the go-to-destination. That's one way to do it. Now, for us since we had the relationship with the customers at small and medium business levels, for us it kind of made sense like, now, we build these pieces and we will make them come towards us directly rather than go to these verticals. So that was our line of thinking. So it is only a matter of time that, you know, one would know whether this is going to be a hugely successful model or not. But I am not so much worried about why there is no app downloads, why, you know, one can always discuss these things. There are several companies I can list out who had phenomenal app downloads, but they don't exist anymore. So these are the issues. In fact, some of these, off late, you will see that most of those online companies have stopped advertising download the app now, in fact, most of them are advertising their brand and website and they are improving their so called mobile site which was never existing in some cases and they kind of revived those mobile sites and doing things like that. So the key is the value proposition to the consumer and how sticky you can make it and how rich the experience you can do it, for example, on services site, I think, JD has a huge opportunity especially on the infrequent services. We give more ratings than anybody else. We give most likely your friend's ratings and friend's view on services, so those are all plus points. And we thought Omni strategy - I think we have much better kind of a thing in place and then the new product called JD Social which is like a rich social integration where every time a friend rates the business all these other friends get to know about it, they can like it, they can comment on it,

they can share it, you know, there's lots of those actions as well. So...

Kaustav: I think, reaching out to people is your main task right now, so best of luck on that.

V. S. S. Mani: Absolutely. I agree with you. And reaching out to people actually making people aware of what all offerings that we have. 99% of people who use Just Dial are not aware of all these offers that we have; I am saying 99% and that is what is key that we need to communicate.

Kaustav: Okay. Yeah. Thank. I don't want to take much of the other analysts' time. So thank you.

Moderator: Thank you very much, Mr. Kaustav.

Participant: Hi. So I had one question. Money as a part of the commercial advertising of the 32 live services that we have on the Search Plus app, are we planning to focus on, say, maybe, 4 or 5 verticals to start with and then market the rest or, you know, what would be the strategy on that front?

V. S. S. Mani: See, the campaign will be a lot about the go-to-destination that Just Dial has, you know, and Search is going to be one of the most important thing and Search Plus transaction as well. So there is one app which can do everything that will be communicated. An app where you can search for any business or different type of businesses anywhere in the country, you can have driving directions within our own app, our own app both in Hindi and English, then we are going to talk about a lot about these category searches different types of categories, for every kind of issues you can use Just Dial as a solution. Then, of course, some of them will have the Search Plus thing, you know, which you can just do this, click here and book an appointment, do this and do that and Buy now. When you want to buy a product, why should you come to Just Dial because we provide the prices for both online players as well as offline? Compare the prices - which is what all of us want to do, so this is what is going to be the communication.

Participant: Okay. And just a bookkeeping one, Ram, what was the deferred revenue number for this quarter, I am sorry if I missed that one?

- Ramkumar:** Yeah. The deferred as per the Ind AS is about 242 crores.
- Participant:** Okay. That's all from my side. Thank you.
- Moderator:** Thank you very much. We have the next question from Mr. Gaurav Malhotra from City Group.
- Gaurav Malhotra:** Yeah. Hi. Thanks for the opportunity again. Sir, just had couple of questions. Ram, you mentioned that the unique visitors was 75.6 million, did I get that number correct?
- Ramkumar:** 75.9 you can say.
- Gaurav Malhotra:** Okay. And what has been the year-on-year growth for this?
- Ramkumar:** Year-on-year actually has been flattish, but we have seen the quarter-on-quarter sequential growth of about 6%.
- Gaurav Malhotra:** Okay. You know, a follow up on this and, you know, maybe, Mani can, in a sense, since we were talking about, you know, some of the other ecommerce guys sort of becoming less aggressive, you know, spending lesser money on advertising, paid traffic, et cetera, you know, in that environment shouldn't this user traffic, so, you know, this traffic as to go somewhere, right, in a sense, if those guys are not advertising as much the people still have the need, so shouldn't the traffic would have come at least partly back to Just Dial or is it going to now the third player or fourth player how do you see that?
- V. S. S. Mani:** Like I said, see, one thing that we all have to learn is somehow wherever you get it for free it is not truly for free; some day you have to pay for it. So online traffic came mostly from Google. Now, what Google is doing? They are putting up all local search content right up front, so users are going to get it there and then obviously the chance of going to JD reduces, you know, so you get affected by these obvious strategic shifts by players who are like pretty much synonymous with the Internet ecosystem. So that is something that, you know, we are survivors, we know how to play the game, but the point is that these are realities that you have to really look at that as one of those biggest causes for the traffic being flattish. Then, of course, I mean, I cannot stop my colleagues, my family members from going to

a site which is giving 20-30% off, I mean, they definitely go there, I mean, there's no way they are going to come to you, so those are issues. So everything adds up to this online traffic. So this is the thing, you know, so I think we have to go back to our core strength. I think there's a lot of data available with us and de-focus on areas which really do not matter to us and then, you know, focus on that kind of a quality traffic, you know, judging by mere number of traffic also, I think, time has come now you should look at the real traffic that makes sense to you and what really you don't care much. Everywhere there is this problem, you know, we have 5 million, what do you call, likes on Facebook or 5 million people who are liking our page. But when you post something on Facebook, only 7000 or 10,000 get to see it. So it's like a – it's a thing no more free. Free means you have to figure out a way, you know, how to get people directly to you or some other effective way.

Gaurav Malhotra:

Mani, you know, just a follow up on that. See, from what anecdotally I can say that, you know, amongst the non-Google guys basically PayTM who is sort of aggressive, I think, so everyone else is meaningfully held back on the discounts, but, you know...

V. S. S. Mani:

There's no vertical which gave, 20, 30% cash back on online orders, I mean, this restaurant friend of mine he says I place the order myself and claim all these discounts, I mean, cash backs, I mean, come on there are so many still going on. It's never ending actually.

Gaurav Malhotra:

But, you know, the interesting thing is what you said about Google because, you know, see the other guys I can, you know, we can be pretty reasonably sure that, you know, that is at some point in time it's going to sort of be cut back meaningfully many of them will die, many of them are dying anyway, but Google seems to be, you know, the guy who is not going anywhere, right, and obviously, you know, that's like the first port of call for search for pretty much everyone, so if you are getting the local search results also from Google and you are seeing that traffic sort of sifting there, then what tools do we have to sort of get the traffic back to Just Dial?

V. S. S. Mani:

Yeah. First of all, Google is definitely the biggest threat. Google is immensely habit-forming to people also. So we will have to go back to those times when people used to directly come to Just Dial for whatever great

quality that it was, I think, we need to identify those and then showcase that and get the consumers directly come to us. See from a very different perspective I am saying, as an entrepreneur, I feel that all these strategies like, for example, giant search engine showing its own content – it's a double edged sword – it benefits you sometimes it can harm you also as a search engine because I go to a search engine to get choice, you know, if that search engine starts showing its own content, then, I mean, I might just go to those others directly, for example, at some point I might find an Amazon to be a better source to find products, you know. So these are risks that everybody runs, so these are all strategies. I cannot comment on other people's strategy, but I can definitely say I have got affected by this kind of a strategy, but we need to figure out how to because we have survived 20 years as a company and, you know, we know how to play this game.

Gaurav Malhotra:

Okay. Thank you.

Moderator:

Thank you very much. So I think we are running out of time, so I would like to hand it over back to the speakers and the management for any final or closing comments.

Ramkumar:

So thank you, friends, and over the next few quarters the focus will be intensely on execution and we are hopeful and we are quite committed that the execution will happen and we will see the results flowing through in the subsequent quarters and through FY18. Thank you.

V. S. S. Mani:

Thank you.

Moderator:

Thank you once again. Thank you, participants. With this, we conclude the session for today. Wish you all a good day ahead. You may all disconnect your lines now. Thank you very much.