



“Just Dial Q4FY17 Conference Call”

May 22nd, 2017



**SPEAKER: Mr. V.S.S. Mani, CEO and MD, Just Dial
Mr. Ramkumar Krishnamachari, CFO, Just Dial**

Moderator:

Good evening, ladies and gentlemen. I am Arshad, your moderator for this session. Thank you for standing by and welcome to Q4 FY17 Earnings Conference Call. For the duration of presentation, all participants' line will be in the listen-only mode. We will 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:

Thanks, Arshad. On behalf of Nomura we would like to welcome you all to the Just Dial Q4 FY17 Earnings Call. We have with us the CEO and MD of Just Dial, Mr. V.S.S. Mani and the CFO, Mr. Ramkumar Krishnamachari. Without further delay, let me now hand over the call to the management team. Over to you, sir.

Ramkumar Krishnamachari:

Thanks, Rishit. Good evening, friends. Let me start with the highlights for the quarter and then I will go over the yearly results. For the Q4 FY17 the operating revenue increased by about 5.9% to 181.7 crores. The operating EBITDA was at 32 crores, EBITDA margin of about 18% and the net profit for the quarter was about 25 crores as compared to 40 crores in the previous year. In the previous year Q4 we had unusually high other income which is why comparatively this quarter has been muted.

As far as the yearly numbers are concerned, the total revenue for FY17 was 719 crores with a growth of about 7.6%. The operating EBITDA was about 110 crores with a margin of about 15% and the net profit for the year was 121 crores. Couple of events happened during the quarter, one, we had an impact of demerger that we did with JDGPL coming into the financials that is reflected in the other comprehensive income which is about 27 crores which is nothing but tax benefit that will accrue to the company over the next few years. And also in this quarter we started our ad campaign and we spent totally about 11 crores on advertising of which approximately 7-7.5 crores is attributed to the ad spends that we did.

Now, coming to some of the operating matrix, before that we had cash and investment totalling to about 1000 crores as of March 17. Now, on the operating highlight, we were having about 435,000 campaigns as of March. The total number of database listings was about 18 million and we had about 11,334 total employees. We added about 500 employees in sales during the quarter. Overall for the year we added about 1000 in terms of sales force, but also we rationalized some of the non-sales functions where we brought in

efficiencies reduced the number of employees. So that's the highlight for the quarter and for the year. We would open the floor now to Q&A.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from Mr. Gaurav Malhotra from Citi Group.

Gaurav Malhotra:

Yeah. Hi. Could you just give us some more details on this scheme of demerger, you know, some more details as to what was the reason behind it, any cash implication, valuations, et cetera? And secondly, you know, you mentioned that the advertisement campaign incurred around 7-7.5 crores in this quarter and despite that your other expenses, you know, went down by almost 2 crores quarter-on-quarter, so what is it that, you know, what was the other OpEx which was rationalized so aggressively? These are my two questions. Thank you.

Ramkumar Krishnamachari: Sure. As far as the scheme of demerger is concerned, we had an undertaking which was doing database and content and there we moved that entire undertaking and as part of the demerger scheme, what we got was tax benefit amounting to 27 crores which is sitting in the books as capital reserve and other comprehensive income. Now, the consideration paid is about Rs. 11 lakhs that is basically we issued preference share to the shareholders of JD-GPL as a consideration for getting the assets.

Now, as far as the operating cost is concerned, you have to remember in Q3 we had about 12 crores total advertising cost which involved about roughly 6 crores of movie ticketing expenses which we wrote off. The delta that you see between this quarter and the previous quarter is essentially the movie ticketing expenses that was there in the previous quarter, but was not there in the current quarter.

Gaurav Malhotra:

Just a follow up, could you clarify on the movie ticketing expenditure?

Ramkumar Krishnamachari: Yeah. movie ticketing we paid about 13 crores totally for access to inventory for having user's book ticket on JD platform and that was the cost and that was fully written off in Q3.

Gaurav Malhotra:

You had bought inventory worth 13 crores and you had to write it off?

Ramkumar Krishnamachari: No. It's a yearly fee paid to the movie ticketing partner for getting access to their inventory of seats.

Gaurav Malhotra: Okay. And why was this written off this time around, this is an annual feature, right, so why was it written off this time around?

Ramkumar Krishnamachari: No. It's an expense the 13 crores, so the way it is structured is that normally you spread the expense over a period of time as and when....the contracts is such that there was an income associated with that and then accordingly you prorate the expense. But as a matter of abundant precaution and as a matter of abundant conservative accounting principle, we had written off the entire 13 crores in Q3. So any income that we get going forward will be totally coming into the top line without associated expense.

Gaurav Malhotra: Okay. Just last one question, you know, on the advertising front, so, you know, are we still sort of guiding to 100 crores worth of advertisement and what would be the timeline for that spend? Thanks.

Ramkumar Krishnamachari: Yeah. This will be spent over the next 3 to 4 quarters. Definitely the plan is 100 crores, but as we know, we always spend on a calibrated basis based on the response that we spend on each tranche, so that's how we look at it. So the current spend that we have done on the news channel, et cetera has been showing some very encouraging results. So probably you will see us advertising on the entertainment channel as well pretty soon, so we will go one step at a time.

Gaurav Malhotra: Okay. Thank you.

Moderator: Thank you very much, sir. Next in line we have Arya Sen from Jeffery's. Over to you, please.

Arya Sen: Hi. Good evening, everyone. Firstly, just wanted to understand even in the September quarter there was about a 5-crore expense on account of movie ticketing, right, is that correct?

Ramkumar Krishnamachari: Correct.

Arya Sen: Total of 18 crores?

Ramkumar Krishnamachari: No. Q3 was 6.5 crores and Q2 was about 5, totally about 13 crores.

Arya Sen: Okay. But this quarter there was nothing?

Ramkumar Krishnamachari: Nothing. Nothing in this quarter.

Arya Sen: And going forward will there be, you know, are you planning to extend this next year as well?

V.S.S. Mani: That we will think about it.

Arya Sen: Okay. But as of now the contracts is running and if a decision is made, when would that decision be made, I mean, on this renewal?

V.S.S. Mani: I think overall we spend something for movie ticketing and that's something that we will take a call in the next quarter whether we should be continuing that or we should just do some alliances with a third party.

Arya Sen: Understood, sir. And any update on JD Omni?

V.S.S. Mani: Update in the sense? You mean the re-launch of it?

Arya Sen: Yeah.

V.S.S. Mani: Yeah. So basically Omni has gone to a different level right now and we will be launching it at an appropriate time. When we do it, we will inform the market about it.

Arya Sen: Okay. Sure. And are you giving some sort of a revenue growth guidance for next year?

V.S.S. Mani: No, we will not.

Arya Sen: Okay. Sure. That's all from my side. Thank you so much.

Moderator: Thank you very much. We take the next question from Mr. Ravi Menon from Elara Securities. Over to you, sir.

Ravi Menon: Thank you for the opportunity. I just wanted to check about your pricing per campaign that's come off quite a bit so that, you know, even though we've added quite a lot of campaigns year-on-year, the revenue is not really good so much, is that because pricing is

going down, as we move to smaller cities, where are the campaign additions happening?

Ramkumar Krishnamachari: So the incremental campaign additions large part of it is indeed coming from smaller towns and cities what we called remote cities, so as a result there's no reduction in price, et cetera; it's just that the ticket size in smaller cities, the remote cities are about 40% that of the main cities. So it's natural that the incremental volume coming from smaller cities will have an impact on the overall average ticket size, so that is what it is. But having said that, I must mention here that, you know, the fact that we have not pretty much advertised over the last two years, definitely has had a bearing on the renewal of the customer. Earlier we used to get 25-30% without any kind of resistance from our renewal customer, especially the premium ones. Of late, yes, there has been challenges in terms of getting the kind of extra incremental growth coming from the renewal customer. Hopefully, with the advertising campaign that we've launched that trend should also get reversed, but the phenomena of the average ticket size going down is more due to the fact that incremental growth and campaign addition is coming from smaller towns and cities.

Ravi Menon: Thank you. And one more thing, you know, could you just split the expenditure that you had paid for movie ticketing between Q2 and Q3 of the total 13cr you mentioned?

Ramkumar Krishnamachari: Yeah. I think Q1 we accounted for about 2 crores or something. Q2 was about 5-5.5 and Q3 was about 6.

Ravi Menon: Thank you. No more questions. Thank you.

Moderator: Thank you very much, sir. Next in line we have Mr. Pranab from Edelweiss. Over to you, sir.

Pranab: Hi. Thanks for the opportunity. My first question is related to your advertisement, so I think it is well over 3 months since you had started advertising, what has been the response, are you seeing, you know, substantial traction, can you give a sense on how, you know, the revenue has moved on a month-on-month basis, since you started advertising? That is my first question. Second question is, you know, what sort of run rate are we expecting in the next quarter, I mean, this quarter, you know, Q1 and maybe possibly some colour on the Q2 for advertising side, so would we be, I

mean, you know, closer to 25 odd crores for this quarter or it will be substantial, so these are my two questions on advertising?

Ramkumar Krishnamachari: So the advertising we started in March has had a positive impact as well as user engagement matrix growth. But as far as revenue is concerned, it is too early to give you any, see, you have to remember that advertising is more towards brand reiteration, et cetera. Now, we haven't advertised in the last 2 years, as I said, and it takes time from, you know, from the advertising to the user engagement and then subsequent monetization. So to directly correlate between ad spend and revenue in the subsequent month-on-month is fallacious. So what I would suggest is from our perspective we have seen very encouraging signs from the user engagement side which is a good sign, which is the first objective of the ad campaign - to get the overall brand visibility and see how much the user engagement matrix are moving and those are moving in a positive direction. As far as the spend is concerned, as I said, we will shortly advertise in the general overall entertainment category – whether that is going to be 24 crores or 25 crores in this quarter....this quarter almost half the quarter is gone. Perhaps, the expense related to the news channel advertising will continue in this quarter, but it's very difficult for us to say right now whether we will start the news and entertainment in this quarter or perhaps early next quarter.

Pranab: Sure. If I may just follow up on that, can you share the traffic parameters, since you talked about user engagement has improved, any colour on that?

Ramkumar Krishnamachari: Yeah. Overall, what we've seen is that for Q4 we have seen the traffic growth year-on-year has grown about 20%. And as far as one of the things that we closely track also is that we have seen positive correlation in the improvement in the number of app downloads. There's almost a 25-30% growth in number of app downloads post the advertising campaign.

Pranab: Okay. Thank you. That's it from my side. I will come back in the queue.

Moderator: Thank you very much, sir. Next in line we have Shaleen from UBS. Over to you.

Shaleen: Yeah. Hi. Thanks for the opportunity. Ram, just few question. Sir, can you give a bit of split in terms of the traffic right now we are having in our app and vis-a-vis in our desktop and mobile website?

Ramkumar Krishnamachari: See, overall mobile contributes 60% of our traffic, web contributes to about roughly, I would say, 30%, 10% comes from voice, so within the mobile the app should be about 10%.

Shaleen: And what's the total traffic you are talking about?

Ramkumar Krishnamachari: So for Q4 we ended up with 87 million as the total unique visitors traffic.

Shaleen: For the quarter?

Ramkumar Krishnamachari: For the quarter. Yeah.

Shaleen: And how this 10% has moved, sir, let's say, over a period of 3, 6 months for app?

Ramkumar Krishnamachari: See, the overall volume is increasing, app is also increasing, so the thing is right now what we have seen is post the advertising the number of app downloads has gone up. Now, it's too early for us to comment and correlate because of, you know, how much the app traffic has gone up post the advertising vis-a-vis the overall general movement. But what we have seen is in this proportion of overall 9 to 10% is what is the app proportion of the total mobile.

V.S.S. Mani: So overall traffic has grown about 22% and mobile traffic has grown about 42% that's encouraging and the mobile app traffic is almost double on the year-on-year basis. And we have launched a new JD Lite app that is like almost 1MB and there's is going to be a focused marketing on that and there we see a lot more users actually downloading the app because it's just a 1MB app and it's pretty much has almost all the apps put together in one place. And, in fact, downloads if I compare between last year same quarter versus this year there is 46% growth in the app downloads in just Android alone and iPhone is about 23-24%. But this real thing will pan out this year, as we continue with our consistent ad campaigns and various other programmes that we have been talking about for a very long time and you would see that there would be a far more growth in the usage. Usually monetization follows usage, as the usage goes up, monetization catches up. One heartening factor I would say is we also have certain thing called Virtual Number

where we assign this phone numbers to our advertisers. We have seen a phenomenal growth in the calls for Virtual Numbers where we have seen post ad campaign actually more than 33% growth there, so whether this trend will continue, whether maybe this will take us to 100% growth in some quarter in the near future, one doesn't know, but things are looking overall positive.

Shaleen:

That's pretty good news. Mani, just one-two questions from you, right? So our realizations are falling but that's fine I think because whenever you move from one geography to another geography and you go deeper, it tends to happen and we fairly understand that; the good part is that our paid listing growth is coming strong. But, you know, when do you think that inflection point will come when, you know, your growth may remain strong, but your realization becomes more or less stable, so you think, you know, still you have to go a lot deep?

V.S.S. Mani:

See, I would say there has been a major shift in the overall perception, I mean, overall the way we used to run our business and what we do today because ecosystem has changed dramatically. The last 3 years our voice calls volumes have shrunk, but our overall traffic, as I said, even today grows at 22%. But the thing is the customers who are used to tangible leads are looking at the quantum of leads instead of looking at the quality of leads. I just want to give you one example. If a person gets a lead through the Internet through us, it is likely that he will face one or two competition at the most or the chances of conversion is almost 1:2, as compared to our voice leads which used to be 1 out of 7. So in other words a lead from web is equivalent to 3 leads from voice, which is education stuff that we are, you know, educating the small businesses to move on, you know, and look at it in a different perspective rather than measuring it on quantity. So major pushback is coming there and it's only a matter of time, as we increase our visibility and increase our advertising, you would see that these small businesses actually many of them do not have any other option to go to, you know. The only way to get leads is through services like ours, so through just dial and there are very few other opportunities for them. So it's a matter of time that they will come back and they will come back in larger strength and spend more money, so that is what I believe and the signs of that is already there.

Shaleen:

Right. Historically, what we used to do we used to, you know, juggle our mix, you know, we have multiple type of packages available and are you offering a new?

V.S.S.Mani:

There hasn't been much changed on that. It's pretty much the same there are premium packages like platinum, diamond, gold there is regular packages... all that is almost consistent. The way the advertiser used to perceive earlier because the call volumes were very high back then, for example, the call volumes in 2013 and now it shrunk by 50% I think. So obviously that when you are comparing and you are nostalgic about those day when you actually had those quantum of leads kept you busy and then you converted, you grew with Just Dial, so you want that to continue, but that cannot happen the user's behaviour has changed, you know. Today we don't like too many people calling us or we would rather go online, like in Just Dial today you can do price comparison, you can compare the reviews and ratings of one business to the other and take a very informed decision and just dial one number or just click on a map and use the driving direction to reach the place. So these habits are changing. The good sign is usage is growing and looks like the usage is going to grow much higher, you know, the trend is showing very good because, as I said, the Virtual Number calls have grown much better than the traffic growth which is also a good sign. So I think it's a matter of time when these small business who are kind of resisting to pay that higher value in the existing tier 1 cities where we have been around for a long time and some of them have been around with us for 15-20 years now, you know, like, so those are the small challenges that we have faced, you know, the last few quarters. You will see a change.

Shaleen:

Sure. Just one last question from my side. So we have like more than 1000 crores on our balance sheet and we are generating very healthy free cash flow of upwards of 100 crores a year and there are no obvious inorganic opportunities and understanding the DNA, I know that we will not throw away money behind anything which will not add value to us, so what's your plan for, you know, for this cash?

V.S.S. Mani:

We spend very less time discussing about cash, you know, some time back we did a buyback and distributed some money to the shareholders who are willing to participate in the buyback. So we are now focused more on bringing back the businesses to a very high growth path and we are not really getting distracted by this

cash. But at some quarter down the line you will see us put this cash for some good use, otherwise, return the money to the shareholders, you know.

Shaleen: So some kind of dividend we can expect?

V.S.S. Mani: See, it's the old fashion way of doing dividend and all that honestly speaking and we will have to figure out some creative way of, you know, distributing this. You will get to know in the times to come.

Shaleen: Sure. Thank you so much.

V.S.S. Mani: Welcome.

Moderator: Thank you very much, sir. We take the next followup question from Mr. Arya, Jeffrey's. Over to you, sir.

Arya: Yeah. Hi. Good evening again. Just wanted to get your sense of the traction in JD Lite in terms of app downloads so far and how that compares with the overall app downloads at the end of the quarter?

V.S.S. Mani: JD Lite has done very well, in fact, I just said we've grown like 46% in Android app download and, as we know, we are an Android country and that is primarily due to JD Lite and I think it's much faster, lighter, it's a much cooler app and the beauty is such a very scalable kind of a solution that we'd done that, you know, you hardly need app update, you know, most of the things is automatically taking care. So we are very proud of our technology team to have come up with this idea and executing it and you would see that as we move forward the usage of our app as well as downloads will grow leaps and bounds.

Arya: What's the overall app download at the end of this quarter.

Ramkumar Krishnamachari: It's about 13.25 million.

Arya: Okay. And what was it at the end of last quarter?

Ramkumar Krishnamachari: It was about 11.6.

Arya: Okay. And out of this incremental you were saying that large part would be JD Lite?

Ramkumar Krishnamachari: Correct.

Arya: Is it possible to share what proportion or, you know, something like that?

Ramkumar Krishnamachari: We can share you subsequently, you know, we don't have the data.

Arya: Sure. Thank you.

Moderator: We will take the next question from Mr. Gaurav Malhotra from City Group.

Gaurav Malhotra: Yeah. Hi. Thanks. Just one followup question, you know, we have been made aware of the competition from Google, but what we have seen increasingly is that rather than being just a passive competitor it seems to becoming a lot more active in terms of having its own ad campaign in the entertainment channels, also there seems to be a radio campaign also which they are doing; apart from that, you know, there is some talk of AREO app which has been launched which is like summation of some other hyper local services, so wanted to get a sense from you as to, you know, from being a passive competitor to active how are you seeing things changing on the ground? Thank you.

V.S.S. Mani: Yeah. Like I had anticipated this if you remember 3 quarters back I had said that we have only one competition which is Google; there's no other competitor we need to really worry about. So in a way I would say Google is, you know, coming in aggressively promoting local search. It's a good sign for us because the category improves, you know, we all have or still wanting people to come out of the old habits and do things online and find it and end of the day the better product will win, you know, I strongly feel local search is all about giving people more accurate, you know, information and giving them options, giving them ability to compare reviews and ratings like we have gone one step ahead, we show your friend's ratings for the searches that you've done and then there's all lot of things that go along with it. I really admire the way Google as a company; it's nice to have a competition like Google, but we are pretty confident with our product, we will be able to differentiate you know... JD experience will be superior to what you would get on Google.

Gaurav Malhotra: Thank you.

Moderator: Thank you very much, sir. We take the next question from Mr. Ravi Menon from Elara Securities. Over to you, sir.

Ravi Menon: Thank you. I just wanted to check about, you know, the number of telesales, feet on street and JD Ambassadors what's the number right now?

V.S.S. Mani: So we grow sales force by about 11% as, you know, compared to the last year same quarter. The feet on street has increased by about 11.83% and there has been about 23% growth in the tele sales force. And there is now a new fresh approach of hiring more, you know, more of feet on street and so you would see the next quarter probably these numbers are will be even better than what it is.

Ramkumar Krishnamachari: So the number of telesales is about 4300, the feet on street marketing is about 1500 and about 2000 JDAs.

Ravi Menon: 2000 JDAs? Sir, could you just repeat the feet on street number

Ramkumar Krishnamachari: So the feet on street is 1500, the marketing.

Ravi Menon: Thank you.

V.S.S. Mani: The number is about 3500, so you can say it's almost 50-50, you know, between telesales and it's about 60:40 or something like that.

Ravi Menon: So this is the trend that we saw last quarter, right, I mean, last quarter you had actually decreased the JD Ambassadors accounts slightly, so we have now gone back?

Ramkumar Krishnamachari: Yeah. This quarter we added totally about 500. Yeah. You are right.

Ravi Menon: Okay. Right. Thanks. So JD Ambassadors primarily how are they different from the normal feet on the street?

V.S.S. Mani: So JD Ambassador's job is to do call knocking educate the small business about the opportunity of using Just Dial benefitting from it as well as listing on Just Dial for free and, you know, they kind of curate the content for them and then also tell them about the opportunity of paying an advertising here because many of your

competitors are there and they are benefitting from it, they differentiate that and then it kind of encourages the customer to go for the paid programme. The other sales force which is feet on street is basically attending to appointment fixed by telesales people, that's another way of reaching out prospective customers and there also they kind of go to a kind of half-cooked or somewhat ready-to-buy customer and their closing percentages are fairly higher than what your cold-call team does.

Ravi Menon:

Fine. So does this also correlate with the geographic expansion that your undertaking is that why we see more JD Ambassadors?

V.S.S. Mani:

Well, there is enough scope to double our sales force honestly speaking because there's so many people to reach out to honestly and now the product has become more show and tell us compared to what it was before. It was earlier less to show, more to like, you know, kind of talk and convince the customer to how we can generate leads for them. But right now we got to impress upon the customer that without Internet their business could be in a way it's a big question mark, you know, if you don't have an Internet strategy even if you are a small business, it's a good chance that you will lose out your customers to competition and so we kind of educate them so there's lot of things to show on that, as we call it the Five Pillars Strategy in Just Dial which is combination of search engine, market place and there is JD Social which is really powerful, we kind of demo that product to the customer. We have a payment solution called JD Pay. It's, in fact, one of the fastest way of collecting money from customers because if you as a vendor use JD Pay, the money actually hits your account real time. I don't think there's any other payment solution out there which has that kind of a capability and that gives the flexibility to the vendor's customers to pay through any credit card, debit card, net banking, VMap or whatever it is. So that kind of stuff we educate them. You must have a digital pay strategy in place and, one, if you shake hand with Just Dial, you don't need any other kind of pay solution. And apart from that we also impress upon him that, you know, you got to have your own website, you know, which the JD Omni engine can create for them. So overall we kind of explain the importance of search engine, market place, social and digital pay and your own website - a good blended strategy will help you capitalize on the Internet opportunity and that is, see, being small business the way they are, it takes a while for them to digest all this and come on board. But I am pretty confident the products that we have built, the way we have thought about in the last 3 years I

think thanks a lot we didn't try to copy any of the competition, you know, try to get into all kinds of buying customer kind of a thing, instead we got into building these new ideas, new products and I am pretty confident that it should pan out very well for us.

Ravi Menon:

Two more followup questions, if I may. One is, you know, we had discussed our revenue split in your top the 5 cities or the metros and then, you know, the ones beyond if I could get a refresh of that?

Ramkumar Krishnamachari: The top level cities is contributing about 83% of revenue, 17% is coming from – the rest is coming from the other remote small towns and cities.

Ravi Menon:

There is a talk about, you know, you know, UPI is now I think lot of people have solutions based on that, there is talk about several, you know, chat apps that now will integrate UPI, how do you see that, you know, will small merchants migrate to the chat apps as an advertising platform, you know, do you have any strategy about it?

V.S.S. Mani:

Examples, please.

Ravi Menon:

Somebody like say, you know, so in China we have seen WeChat, you know...

V.S.S. Mani:

Yeah. In India only Whatsapp will do something like that. You know, see, if you look at Justdial, we have addressed everything. When we look at consumers, we say what's best for them, so when we started our business, it was about how to provide quick and fast, accurate information. Then we evolved and rich content played an important role. Today it's about like, you know, giving him kind of a choice of user reviews and ratings, price comparison, all that. In fact, if you start using our IOS app and, in fact soon in others also, you would see that, you know, when you search for hotels, you actually get quotes from multiple providers. So we actually out there to say that this is a go-to-place, you come here, you kind of do everything. So you find the merchant, you can chat with them via using the Just Dial app as well as you can pay him through digital pay and that digital pay which we have built has the whole world have built in to it, you know, so it's just that we don't talk too much because we are probably waiting for

that day to come and really go and conquer the world. So I think probably we need to have one investor conference to educate what all we have done and how we intend to go about, you know, getting the adoption and the usage.

Ravi Menon:

Sure. Thank you. Best of luck.

V.S.S. Mani:

Thank you.

Moderator:

Thank you very much, sir. We take the next question from Mr. Pranab from Edelweiss. Over to you, sir.

Pranab:

Hi. Thanks for the opportunity again. My question is basically how much, you know, cost cutting measures we can take, you know, I mean, the efficiency benefit led to some sort of help in the EBITDA margins for this quarter, so what sort of levers are there to take further cost cut and, you know, improve margins?

V.S.S. Mani:

See, these next few quarters we are going to pump up more money on advertising. Even little bit of efficiencies that we will bring in will not boost up the EBITDA margins for sure because we are really looking at promoting our products, so it's tough to say, but yes all those things that are required to bring in more efficiency, automation is what has been our focus in the last couple of quarters and you would see more of those happening in the future as well.

Pranab:

Okay. Sure. But anyway, so my second question is regarding, you know, you talked about engagement with the users is increasing with, you know, increase in the app downloads, what sort of timeline are you seeing that, you know, this app downloads are starting to get monetized, you know, so that advertisement what we are doing, you know, when should we start seeing the real impact in terms of revenue growth in the coming quarters?

V.S.S. Mani:

See, typically the revenue catch up is a quarter or two behind, you know, with the traffic growth. So you can expect that by the end of this quarter we should be showing better kind of trajectory in revenue growth. Besides, growth would have gone to the next level hopefully, you know, with some advertising on to mainstream channels and mainstream maybe we will look at digital media also and

all that we should help us acquire more traffic and more usage.

Pranab: So basically in Q3 onwards we will possibly see the, you know, full impact of that advertising, I mean, you know, some...?

V.S.S. Mani: We are hoping. Yes.

Pranab: Okay. And even as the app downloads have increased quite significantly, are you seeing more traction in the transaction-based, you know, revenues or, you know, how has been the response, any commentary on the side?

V.S.S. Mani: No. We would never look at transaction-based revenue at all. See, the small businesses want to grow their business, they want the customers to call their number or drive down to them or chat with them, write to them via email or transact online and they are able to fulfil. They are okay with any method, so basically our goal is to try to get them what they want which is new customers and how to get them new customers - Just Dial is the place to go to new customers. Just Dial is the only market place which provides information about every product, every service. So that is what our focus is, but, yes, I mean, to say that we will not ignore if that is an online transaction capability, if there's a tool that has to be built to enable the small business, we will provide him the tool. So it's like one place you get all the solutions. Our revenues will continue to be from what we called as JD Adwards Campaign where people subscribe for the keywords, they target the pin codes and that's how our revenues will be.

Pranab: Okay. I think I should have framed my questions little differently. My question was, you know, how many basically, you know, on your website you have tabs to, you know, do some transaction, now which would lead to so in terms of, you know, how many leads you give it, you know, if there is a change from web to apps or something like that, you know, which is monitorable?

V.S.S. Mani: I didn't get your question, though.

Ramkumar Krishnamachari: So the transaction volume is what he is saying.

V.S.S. Mani:

The revenue growth are you expecting because of transaction revenue or transaction earning from transaction is what I thought like, you know, commissions or something like that. Am I right, sir?

Pranab:

No. I framed it incorrectly. My question was, you know, any colour on the transaction volume?

V.S.S. Mani:

Yeah. So tangibility or benefit can be shown in many ways - that we provide them with an analytics which tell them about how many people search for your product, how many people show your listings, how many actually called your number, how many clicked on the map and drove down to your place, how many actually clicked on the transaction tab and did actually an online purchase...everything is given to them, you know, on real time basis and that's how they judge whether it's worth it, whether you should be spending more money, you know, that's how they do it.

Pranab:

Okay. That's it from my side. Thank you very much.

Moderator:

Thank you very much, sir. We take the next question from Mr. Gaurav who is from Morgan Stanley. Over to you, sir.

Gaurav:

Hi. Mani. JD Omni found a mention as one of the five pillars for you in your strategy, could you highlight what are the changes we are thinking about JD Omni, is it about changing the product offering, changing the go-to-market or is it changing the pricing mechanism, what are the changes we are kind of thinking about JD Omni?

V.S.S. Mani:

So JD Omni is an engine we built which has the ability to handle from supply chain to customer facing enterprise. So when you build the engine originally, we built it taking into account really sophisticated inventory management system, sophisticated customer communication system and all that enterprise. And then we realized that the thing that is actually there is a huge appetite for in the market was a smart-looking app or smart-looking website on a mobile site and something which they can intuitively play around with and make changes, you know, and things like that and that was the piece that we really ignored, you know, we really didn't look at it and it was really a big miss out. So we then realized quickly and build that, assemble that piece

and now we build like templates for every type of business that are like dozens of templates available for them; they can just touch like the way you operate any social media app or something as simple as using that, you know, changing your profile pic, similarly you can edit your product or edit your price and all that using your phone interface, you know, all that, so that's the cool stuff that we have built. So what we propose to the customer is, of course, we tell them what they kind of understand easier, is their own website and mobile site and that is not like a one-off those also-ran website; it's a much better, much more sophisticated, easy-to-use stuff which we show and demo to them, look, you are an optician, you are a dentist, you are, you know, X, Y, Z business this is how you are to look like, this is the model website, look at the mobile view it is, you know, very mobile friendly and stuff like that, how you can make changes and all that. Now, this piece what we feel is one of the most important of the five pillars that we offered to the business like, look, buddy, it's time for you to have your own really working website and a website which is live, which is constantly because you have the JD app on it as actions happen on your website and everything comes as a notification, so it's like more happening, you know. So this you use and you take time; it depends on the nature of business. If the business is something that you can potentially as regular customers, you can take orders online, you can encourage your customers to place orders this online and the customer gets to see the real time price and availability, inventory and all that, if that guy is also using the other engine which is the inventory engine and all that. So our idea is pehle introduce toh karo, get him into something, pay something... if he likes it then get the same person to use the super sophisticated stuff that we built.

Gaurav:

Sure, sir. The way I understand will it be sold as additional layer of product with your core product of...?

V.S.S. Mani:

It will be like you need to buy a higher value package to get that benefit.

Gaurav:

So the premium customer should automatically be getting that?

V.S.S. Mani:

Yes. The super premium depending on category to category.

Gaurav:

Sure. Okay. So second question on the campaign growth, this quarter we saw some amount of slowdown in terms of incremental campaigns which you added compared to the last few quarters, is there any aberration for this quarter, any one-off to call out or do you think that kind of base effect kind of caught upon on this quarter?

V.S.S. Mani:

There are some challenges that we are facing which is traditional customer is used to quantum of leads constantly complaining and we are kind of saying that, hey, buddy, it's time that we stop talking about voice search and leads and stuff like that and this is how it's happening. So there could be a kind of protest from the existing customer who is probably committing less money or probably postponing his decision to renew and stuff like that. Those are the real challenges that we are facing, but then that's the short-term challenge because this is a transition. But let's ask this question, what are the options these businesses have; there are very few options. Now, that's where we kind of – and we give them room service, we hand hold it for them and all, so there's a proper 24x7 assistance available and things like that which is what small businesses actually require. So it's only a matter of time and these businesses come back and then you will see the numbers both in terms of the number of customers and the values picking up, I mean, I am hopeful. I am seeing signs of that.

Gaurav:

Sir, does it mean that this in the short-term kind of impacts the renewal rates with the existing customers?

V.S.S. Mani:

It has been the same for the last couple of quarters certainly. I mean, Ram would have the exact numbers.

Ramkumar Krishnamachari: Yeah. I mean, see the renewal rates have been same...its just that the incremental that we used to get on the renewal customer...there's been some challenges there...that's what it is...the quantum of increase that you would normally associate with the renewal customer, especially in the premium packages. So hopefully with the ad campaign and, you know, increased user engagement that should address this issue.

V.S.S. Mani:

Yeah. I will also add one point here. See, earlier the customer had this value in Just Dial campaign based on the quantum of leads probably never doing an analysis about what he eventually converted out of them and what we really made business out of it. As per my assessment that has grown far better in terms of the real customers that we are getting and the business that is getting. But the quantum of leads have definitely taken a hit because the model has completely changed from voice to Internet, so this is only a matter of time when the customer realizes that and comes back and spend sort of.

Ramkumar Krishnamachari: Mani the point is that it's just that the quantum of lead has come down on voice, but it's offset by users going to....

V.S.S. Mani:

Our searches are daily about more than 8 million searches are made, you know, at some days it's going up to 10 million searches. That's the phenomenal thing, that's a power house and, in fact, JD is the place where most searches are commercial intent, you know, and that means that finally fructifying into some kind of revenue to somebody, so this is what it is. Now, see, we also educate our business advertisers, we tell them, look, you are listing at Just Dial, earning so much of money, but you must also encourage your existing customers to review rate your business, the more the ratings, the more the reviews you have, the greater the chance of other new customers giving you an opportunity. So this is something like, you know, you have to educate them and they are still not understanding that. There's a gap between how a vendor thinks and how his customers think and that is what we bridging the gap, educating them.

Gaurav:

Sure, sir. I absolutely buy your point. The point which I was trying to reconcile was that ideally this should kind of be seen or reflected in the realizations. I was talking about the incremental campaigns addition was slower and hence the question on the renewal rates, but I can take it offline. Last question from me, Ram, the tax benefit will that be fully realized in fiscal 18 or will that be kind of spread over the multiple years?

- Ramkumar Krishnamachari:** It will be spread over multiple years. We are in MAT, as you see, you know, the overall interest income is about more than 50% of the total income, so it will be in several years down the line. So we believe that we will continue to be under MAT for at least another 2-3 years.
- Gaurav:** Thank you, sir.
- Moderator:** Thank you very much, sir. We take the next question from Mr. Hires Pathak from Goldman Sachs. Thank you and over to you.
- Hires Pathak:** Yeah. Thank you. I want to know what percentage of your desktop is, you know, organic and how much is, you know, paid traffic?
- V.S.S. Mani:** Is Abhishek on this call?
- Abhishek:** Yes, I am there. So around 60% of our traffic is organic and about 20% is paid traffic, rest is direct traffic.
- Hires Pathak:** 20% is paid? When you said direct, what is the difference between organic and direct?
- V.S.S. Mani:** Basically both organic ...So 80% is, you know, organic and 20% is paid.
- Ramkumar Krishnamachari:** What he means by organic is searching for Just Dial or Just Dial landed piece from Google or other places versus directly coming to JustDial.com, that's what it is.
- Hires Pathak:** Okay. And any thoughts on partnering with Google by being on AREO or that is something you think is a complete no?
- V.S.S. Mani:** No. It's about people like Google to approach us, I mean, we are small fry, I mean, it's absolutely their discretion, I think, you know, in anything to do with a local search business you need to really be handholding businesses, you need to be nimble footed and you need everything, you need to have content, and at the same time you also have to have enthusiastic participation from the vendor community, then only the user experience, you know, so I really do not

know what's going to be Google's true strategy for this, but...

Hiresh Pathak:

Yeah. So Google has not approached us to be on AREO and we've not approached them to be on AREO, I mean, what is your thought process on, you know, proactively wanting to approach them and say that we want to be because that lead to their traffic and they obviously don't hide the vendor, you know, they just mention it right up front that it is being provided by UrbanClap or, you know, whoever the vendor is, so what is our thought process on, you know, wanting to be on that platform?

V.S.S. Mani:

I think Abhishek will know better on this, you know, he is usually doing all kinds of, you know, partnerships.

Abhishek:

AREO currently as we see is in nascent stage. We have like we ourselves have been experimenting with that particular app. So far there haven't been any thoughts regarding specific partnerships with Google regarding this particular AREO launch that they have done.

Hiresh Pathak:

Okay. Thank you.

Moderator:

Thank you very much.

V.S.S. Mani:

Such companies used to more go towards vertical players. They treat horizontal as a competition, so I do not know.

Hiresh Pathak:

I mean, if you view yourself both of you, you each other has competition, then obviously there will be no discussion, but if you...

V.S.S. Mani:

Yeah. So the way we look at it is, I mean, this is very evident that now it's competition. Earlier it was a very complementary and a fantastic way of looking at it because we both benefitted each other. But now, as you can see, you know, Google is trying to show lot of listings upfront, local search information upfront and all that, so it's clear that, you know, in fact, I wouldn't think that we should go and partner with, we should stand out you know, and have a better product, you know, and give a better user experience that should be our focus. And the market is huge; there is enough market for everybody, so I think it's perfectly fine.

Hiresh Pathak:

Do you feel that their search algorithms are discriminating, you know, not showing your feed on the top, do you feel that?

V.S.S. Mani:

I mean, we don't want to say that way, but then I think each company has its own strategy, I think, being, I mean, usually search engine has the tendency to favour verticals than horizontal because horizontals are competition, but then, see, great companies don't rely on others. Great companies rely on their customers, on their users and great companies innovate and get out of these situations, so I don't, you know, waste one day's sleep on worrying about these things; I would rather worry about timelines and the projects that are in hand and how to execute them, you know, that's how we have been.

Hiresh Pathak:

Yeah. Thank you. I mean, I hear your thought process, but there's one last data point. What percentage of your traffic is through Google?

V.S.S. Mani:

I think about 60-70% is through search engines and that is what it was for many of these popular local search players back then like Yelp maybe 4-5 years back...now it's the other way around with 30% of the traffic is coming through their own app, so it's only a matter of time.

Hiresh Pathak:

Okay. All right. Thank you for taking my question.

Moderator:

Thank you very much, sir. Ladies and gentlemen, at this time I would like to hand over back over the management for final remarks.

Ramkumar Krishnamachari:

Yeah. Thank you, friends. It's evident that everything boils down to execution and we as management are intently focused on executing especially the focus now is on getting back the core business, the core search back to double digit growth that's what our efforts are and we are hopeful that we will get there pretty soon over the next few quarters. Thank you very much.

V.S.S. Mani:

Thank you.

*Just Dial Post Results Conference Call
May 22nd, 2017*

Moderator:

Thank you very much, sir. Ladies and gentlemen, we thank you for your time spent with us. This concludes the session. You may all disconnect your lines. Thank you and have a great evening.