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“Just Dial Post Results Conference Call”

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**SPEAKERS: Mr. V.S.S. Mani, MD and CEO, Just Dial;
Mr. Abhishek Bansal, CFO, Just Dial**

Moderator:

Good evening, ladies and gentlemen. I am Irshad, 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 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. Ashwin Mehta. Over to you, sir.

Ashwin Mehta:

Thanks, Irshad. On behalf of Nomura, we would like to welcome you all to the Just Dial 2Q result con call. We have with us the MD and CEO of Just Dial, Mr. V.S.S. Mani and the CFO, Mr. Abhishek Bansal. So without further ado, let me hand it over to the management for opening remarks.

Abhishek Bansal:

Hi, everyone. Welcome to Just Dial's earnings call for second quarter of fiscal 2018. I shall run you through financial and operational highlights for the quarter. Total operating revenue for the quarter stood at about 194.5 crores witnessing 7.9% year-on-year growth and 2.3% sequential growth. Operating EBITDA stood at 39.6 crores witnessing strong 76.5% year-on-year and 21.9% sequential growth. Adjusting for non-cash, ESOP expenses, operating EBIDTA margin stood at about 22.1%, which was up 242 basis points sequentially.

In terms of net profit, net profit for the quarter stood at 37.5 crores, which was up about 26.5% year-on-year; sequentially it was marginally down by about 1.8%. However, that was mainly due to lower other income. During the quarter, we had 20 crores versus 26.6 crores in previous quarter.

Deferred revenue stood at about 277 crores at quarter end, which was up about 13.2% year-on-year. Cash and investment stood at 1045 crores as on 30th September. During the quarter we have concluded buyback of about 84 crores via open market purchase at an average price of about Rs. 374 per share, effectively 3.2% of company's equity was bought back.

Now, coming to operational highlights. Our advertising campaign continues to give us phenomenal results. Our traffic witnessed 37% year-on-year growth to about 105 million unique visitors for the quarter. Total app downloads have grown up by over 60% versus last year to about 17.3 million now.

In terms of our database, we added over a million listings during the quarter taking the total to about 19.8 million, which was 17% year-on-year increase. As we speak, we have already crossed about 20 million listings for our database. Focus continues on enriching the database and now we have about 9.2 million listings, which are geocoded at building level, which is about 46% of our database. Similarly, in terms of images as well we had healthy 51.4% year-on-year growth.

Coming to paid campaigns, paid campaigns stood at approximately 439,700 at the end of last quarter witnessing 7.6% year-on-year growth. Realizations were flat sequentially and on y-o-y basis as well which, as we mentioned, earlier was due to certain price hikes, which we had taken on entry-level products. Overall, I think, it was a reasonably good quarter for us despite near term GST headwinds being faced by SMEs. Traffic growth was great. Efforts on cost efficiencies owing to optimization have yielded results. Our employee cost, which had gone to about 62% of revenue, has come down to about 55-56% levels. We have recently launched certain bundled products for SMEs where we are offering them visibility on our platforms, their own mobile-friendly transactional websites, digital payment solutions, it is an all-in-one type of offering and these are being perceived as high-value-for-money combo products by SMEs. We believe that these should definitely result into higher signups and better monetization going forward.

As a business focus continues on growing usage of our product and chasing sustainable growth. We shall now open the floor for questions.

Moderator:

Thank you very much, sir. Ladies and gentlemen, if you wish to ask a question, you may please press “0” and “1” on your telephone keypad and wait for your name to be announced. I will repeat. You may please press “0” and “1” and wait for your name to be announced. We take the first question from Mr. Gaurav from City. Sir, please go ahead. Your line has been unmuted.

Gaurav:

Yeah. Hi. Thank you for the opportunity. Just had a few questions. First, if you can just let us know how much was spent on the ad campaign during this quarter and that's my first question. My second question is on the visitor traffic growth, now, that is pretty strong, in fact, you know, that is sort of accelerating. We haven't seen it being reflected in the campaigns as yet, so just wanted to check what could, you know, what kind of timeline after which we should start seeing, you know, you being able to

monetize the traffic in a better way? And lastly, you know, you mentioned that the employee cost as a percentage of revenue has sort of, you know, come down to 54-55%, I just want to get a sense as to, you know, how much more do we see if we already have a scope to sort of make the business more efficient from the employee perspective? Thank you so much.

Abhishek Bansal:

Hi, Gaurav. Firstly, on ad spends for the quarter we spent about 18.5 crores versus 22 crores in previous quarter and versus just about 9 crores in same quarter last year. Coming to your second query regarding traffic seeing good growth, see, once we commence our advertising, right, so for two quarters we have seen good 30-35% year-on-year growth and, however, one thing to note is that the same period also coincided with some of the macro headwinds that we have been facing. So, SMEs have been the worst impacted even as large corporates' time and effort is going into ensuring that GST-related compliances are done in the right manner. And, any such particular traffic growth it's not very just one or two quarters that we see that particular direct impact into number of campaigns, et cetera. So, overall our service suggests that a good about 60-65% of the population have seen our particular campaigns. So I think subsequently in few quarters from now this particular higher usage of the product should definitely start showing up into better signups and better monetization.

Coming to your question around the employee cost, in employee cost mainly what we have done is in certain departments where we have been able to automate certain functions that is what has actually helped us with these particular employee cost savings in terms of how much room further employee cost has. See, beyond the point, obviously, your employee cost reductions would start affecting revenue as well. What we are trying to do is ensure that across departments, we have proper performance management systems in place and efficiency is in place. So, to that extent, once revenue growth kicks in, definitely this could go down further to, say, historic 50% odd levels, so that is what it is.

Gaurav:

Just follow up on the app download, so, you know, you mentioned around 17.3 million cumulative apps have been downloaded till date, can you give us some sense on how many of these are sort of active, say, on a monthly, quarterly basis in any such metric if you can share with us?

Abhishek Bansal:

See, typically what we have seen for apps belonging to category such as ours or ecommerce et cetera-related apps those typically

over a one year horizon have about 20-22 odd percent retention rate. In our case, out of the total apps our retention rates are much better, so we are at about 28-30% retention rate.

Gaurav: Okay. So basically, out of 17 million almost 30 % sort of using it actively, as things stand?

Abhishek Bansal: That's right.

Gaurav: Okay. I will be back in the queue, if I have any further questions. Thank you.

Moderator: Thank you very much, sir. We take the next question from Mr. Maria, from Jeffreys. Please go ahead. Your line has been unmuted.

Maria: Hi. Good evening, Abhishek and Mani. Firstly, thanks a lot for the detailed presentation this quarter. Few questions. Firstly, on the other expenses, so even if I deduct, you know, you talked about 18.3 crores of ad spend versus 9 crores last year, so if I deduct these numbers, there seems to be a staggering, you know, reduction in the other expenses. Why is that anything, so, I think last year same quarter had something about, you know, 8 crores of additional cost because of shooting for the commercial. But even adjusting for that, it still looks like there's been a very sharp reduction. So anything else that has contributed?

Abhishek Bansal: See, two key points here. One, expenses pertaining to, say, AMC or expense pertaining to our servers, et cetera we have been quite cost conscious there, so that have actually helped us. Secondly, a couple of our particular offices, one particular property we have acquired in Mumbai that has helped save some rental expenses, that is there. Thirdly, large portion in same quarter last year had certain movie ticketing integration related expenses which were not there this particular quarter.

Maria: Okay. Secondly, in terms of your headcount is there, you know, this quarter the net reduction has been 370, so how do we look at it going forward over the next, you know, few quarters next year?

Abhishek Bansal: Okay. On employees, I would bifurcate into two domains, sales and non-sales. In terms of sales of employees further, we have two

sets of employees, feet-on-street and our tele-sales. Feet-on-street definitely is an area which is growing for us because our product is now more of a 'show-and-tell' product. In this particular department over last two to three quarters, what we have ensured is, a good management is in place right from senior-most branch sales managers to team leaders. Going forward we intend to expand actual customer facing executives in this particular department. Coming to non-sales, in non-sales there are efforts on to automating several of the activities. Like, in case of customer support database, we have been able to automate several functions. In case as and when those particular results fructified, there could be some headcount reduction.

Also in non-sales, one key component is our voice department. So considering voice calls are on a decline, so that actually sees a natural reduction.

Maria: So, I mean, on an overall basis are we to expect further headcount reduction by March or by same quarter next year?

Abhishek Bansal: See, overall basis as I mentioned that in terms of sales we definitely want to ensure that we expand our sales force whether that particular expansion is commensurate to the reduction in other non-sales departments we will have to see.

Maria: Understood. Thirdly, you know, obviously you talked about impact of GST on SMEs, which has hurt your monetization, any other challenges that you are facing?

Abhishek Bansal: See, one, GST as I mentioned is the near term headwind. Secondly, other key challenge obviously remains in terms of renewals. So, in case of renewals especially in tier 1 cities we realize that those particular clients who have been with us for say, quite a good number of years, they sort of still expect that particular lead era whereas there is a significant amount of education going on to explain them that apart from evaluating investment in Just Dial on a cost per lead basis they should be looking at cost per visibility basis. Earlier, when Abhishek used to call Just Dial, Abhishek's number was shared as a lead with, say, 6-7 paid clients of Just Dial. Now, when Abhishek goes on a Just Dial app, Abhishek browses through list of whatever, say, movers and packers if I am searching, then I will see what are the ratings, I go through the photos, based on that I might get in touch with 3 or 4 such vendors and close the transaction. Effectively, the business was generated by one particular user in the earlier case as well as the current case.

However, in current case Abhishek resulted in to, say, sort of 3 or 4 particular vendors getting Abhishek's number. So, that particular education is going on. As you would have seen on in our presentation, we have recently started giving out details, search analytics to our clients which actually tells them that how many times their business got visibility in category and company searches on Just Dial. So, that actually helps them realize the return on investment that they are making with us.

Maria: Right. And, in terms of your mobile traffic what is now the split between app versus mobile web?

Abhishek Bansal: 66% of overall traffic comes from mobile. Within mobile, about 8 to 10% would be from apps and rest would be from mobile site. However, as we mentioned earlier, in our particular case if you go to our mobile site, which is justdial.com, the look-and-feel and speed of our mobile site is as good as, if not superior to our apps. So, being a local search engine our objective is to ensure that we furnish information to the user at the earliest. It doesn't matter which platform user is originating from.

Maria: And how much of this mobile site would come through, you know, Google?

Abhishek Bansal: In terms of overall traffic, about 27-28% of the overall traffic reaches us directly and rest would be either through Google as a search engine or through any other referral means.

Maria: Right. And lastly on your other income so far this year other income seems to be a bit lower especially given that your, you know, cash balance is higher, so what's the guidance for the full year and going forward?

Abhishek Bansal: See, on other income one thing we need to realize is that the treasuries have gone down significantly. During the last 3 to 4 quarters, in fact, we have benefitted from higher mark-to-market gains on our entire portfolio. However, funds which were deployed into fixed maturity plans, which were earning 8-8.5% 2-3 years back, now those particular investments are being redeployed at current 10-year yields of about 6.8% or so. So, for the full year consider the overall yield on the portfolio to be around 7.5%. Also, we did a buyback of 84 crores during the quarter which resulted into some reduction in our cash balances.

- Maria:** Right. Sir, this 7.5% full year what was it last year? What's the like-to-like number?
- Abhishek Bansal:** Last year I think our total other income was about 87 crores. So you could see that the total opening and closing cash reserves should be somewhere around I think 8.5% or so.
- Maria:** Okay. That's all from my side. Thank you so much.
- Moderator:** Thank you very much. We take the next question from Mr. Pankaj Kapur, JM Financial. Please go ahead. Your line has been unmuted.
- Pankaj Kapur:** Yeah. Hi. Thanks. So the first question is on the monetization part of app, so I understand that the ad campaign has been effective and you're tracking traffic and the retention also has been tracked. Any other parameters which you might be tracking in terms of the time spent on the app?
- Abhishek Bansal:** Sorry. I couldn't get the last part on the monetization of ads.
- Pankaj Kapur:** Like basically in terms of the monetization of the ad spend that we have launched a couple of quarters back, so how are you tracking internally the progress or the impact of that ad campaign, the effectiveness of that ad campaign? One angle which you gave was the retention of the app downloaded. The other way could be in terms of how much time people are actually using it, the time they are spending on the app and how the usage pattern has been, so anything which you can give some colour to say that people are, you know, going and increasingly using the app, any kind of a metric that you have been tracking on?
- Abhishek Bansal:** Pankaj, the most important metric that we track is in terms of, you know, visitors which are 105 million unique visitors. Now, coming to your question of increased usage of the product in terms of people spending more time. Recently we have launched products such as JD Social in our app wherein, in fact, we have integrated news feed as well. You see a lot more curreted content, so that particular social engagement we are trying to bring in this particular time. But, one thing we need to understand is Just Dial is a need-based product, right? So, when you need a dentist, you quickly want to search for dentist. So you would take that

particular information about the dentist and you would get going. So incrementally through these particular initiatives such as JD Social that should help in improving usage.

Secondly, in few weeks from now we are in the process of rolling out the next version which will actually be integrating messaging chat capabilities between the buyer and the seller. So, what we want to do is that real time get SMEs and users to interact with each other. Most importantly, we shall be keeping user's privacy in mind. So whenever a user will chat with a particular, say, packers and movers asking for a quotation or something, vendor will be able to respond to that user without actually knowing user's mobile number. So these initiatives, I think, would help improve usage of our product. Ad spend, return on that particular ad spend, as I mentioned, it is very much directly visible directly in terms of traffic which is measured by unique visitors, visit, searches, et cetera.

Pankaj Kapur:

Okay. And the second question is on the ad spend, so any outlook you can give in terms of how you are planning to calibrate it over the next couple of quarters going forward?

Abhishek Bansal:

See, in terms of ad spend what we realize is that as a business now this particular business needs a sustained level of advertising in, say, quarters or years to come, right? So, we would definitely be allocating a portion of our particular revenues that we earn, which will be deployed into advertising. First two quarters we have spent a total about 40-41 crores. In next couple of quarters as well, I think we should be maintaining this particular quarterly run rate. But more than maintaining a certain level of spend at every particular level, we keep evaluating whether our ad spends are resulting into appropriate value for money for us. In case we find a particular medium is not yielding results or there are alternate mediums, which could be better use of that particular ad spend, we would do so. So, like this particular quarter, one month back we have started advertising in multiplexes. So whenever you go into high-end multiplexes, you would definitely see Just Dial ads multiple times. So we are trying to ensure through our ad campaign we reach out to SMEs, users, younger population, everyone.

Pankaj Kapur:

Right. And, Abhishek, can you give the revenue and the listing distribution by, say, how much of that could be in the tier 2, 3 cities?

- Abhishek Bansal:** So tier 2, 3 cities for last quarter contributed about 18.5-19% to revenue and about 40-42% to campaigns.
- Pankaj Kapur:** Okay. And just lastly, of course, you highlighted the macro headwinds that we have, any outlook you can share in terms of when do you see the impact of that waning and the revenue growth recovering, so what's the sense on the full year that you think that this kind of a level can sustain or there could be headwinds in the quarter going forward? Thank you.
- Abhishek Bansal:** See, as I mentioned that in second quarter we could grow at about 7.9% despite this particular headwind, I think it was decent. However, business needs to do much better in terms of higher signups. So the first immediate target that we have in mind is that we want to achieve that double-digit growth on a quarterly basis. So, as I mentioned that feet-on-street is the area, we believe that we should expand. Secondly, in terms of combo products that we have launched wherein we are giving deep value-for-money product to an SME versus if they were to buy it individually, so both on the product, as well as the sales employee's side that should help into higher revenue growth in quarters to come.
- Pankaj Kapur:** Okay. And then the margin outlook, any sense in terms of, can this kind of a level sustain or you think that going forward with the ads coming back they could be difficult to maintain that?
- Abhishek Bansal:** See, ads have never gone out. So first two quarters have seen about 40-41 crores of ad spends. In fact, if you see in first two quarters despite such healthy ad spends, we have been able to increase our EBITDA both in absolute and percentage terms on a year-on-year basis. So last full year EBITDA was about 110 crores and in first two quarters itself we have been able to deliver about 70 odd crores of EBITDA, so margins definitely look to be sustainable. In fact, I would expect as and when the revenue growth kicks in that particular revenue growth, a large percentage of that should directly flow into margins.
- Pankaj Kapur:** Got it. Thank you and all the best.
- Moderator:** Thank you very much, sir. Next in line, we take the question from Mr. Ravi Mennon from Elara. Please go ahead, sir.
- Ravi Mennon:** Thank you for the opportunity and congratulations on the good margins. I have two questions, you know, first is do you see any

merit to really launch a vernacular app and website seeing, you know, the user growth might come from India for data?

V.S.S. Mani:

Hi. This is Mani. We are exploring possibility of reading it in different vernacular languages. The search will be basically either voice search or search in English, but the rest of the text can come in, you know, vernacular language that will be the first step. Then we will see how the response is and accordingly come to actually even typing in vernacular language. Our effort is right now more on voice. We feel that voice is going to be the future. So if you can crack it for vernacular languages in voice, that should actually satisfy the user.

Ravi Mennon:

Right. And will that voice be supported through your call centre?

V.S.S. Mani:

No. Voice, I mean, it's the AI, Artificial Intelligence.

Ravi Mennon:

In vernacular? Okay.

V.S.S. Mani:

Yeah.

Ravi Mennon:

Okay. Great. So, you know, while you are helping SMEs create a mobile platform and how about the services product that also helps them establish a presence on other platforms, I mean, that, I guess, complementary to your solution such as Facebook, won't that actually be a nice stream of revenue because these guys are not very savvy with things like that ?

V.S.S. Mani:

Yeah. Go ahead.

Abhishek Bansal:

See, in terms of our particular Omni solutions, the first thought process was that let Omni be a solution which helped this particular SMEs be able to sell online, be able to sell online in all market places not only Just Dial. What we realize is that these particular SMEs were looking more for a good-looking websites first which is what we have launched. So maybe in future we could extend Omni to even help these particular SMEs have integration with other platforms as well.

Ravi Mennon:

So currently are you hosting the websites for them on your own servers?

Abhishek Bansal:

Yes. We are hosting the websites.

- Ravi Mennon:** Okay. Right. So, if you don't mind, you know, so how much do you think your other expenses, you know, the server cost or in terms of CapEx, I mean, that will be necessary, you know, if you see this kind of sustained user growth of this product?
- Abhishek Bansal:** In terms of CapEx, etc we have the capacity to cater to current growth rates. So we in, say, next about a year or so we do not expect any significant investments that would be required to cater to such traffic growth. We had, considering our advertising spend was already anticipated. We had already planned for such particular infrastructure ahead of time.
- Ravi Mennon:** Great. And current quarter, you know, if you could break out your ad expenses by medium, that would be great.
- Abhishek Bansal:** So in current quarter out of about 18.3 crores, 11 crores was primarily on to mass media, TV ads, another about 5-5.5 crores was on digital advertising. The rest would be towards multiplex ads and some other initiatives. Ravi, does that answer?
- Moderator:** Sir, his line got disconnected. We will take the next question. This is from Shalin from UBS.
- Shalin:** Yeah. Hi. Thanks for the opportunity. Most of my questions have already been answered. I just want to understand one thing over here. So if I look at your past quarters, what we were seeing that our paid advertisement campaigns were growing in mid-teens or low-teens, right, and we were also seeing that the revenue per paid campaign kind of declining on a year-on-year basis. However, in this quarter your campaign growth has been around 7.6 and your realization also stabilized, right, so is there a changed strategy or is this the headwinds because one thing is negative and the other thing I see is little positive that your realization has kind of stabilized?
- Abhishek Bansal:** See, Shalin, if you see for this particular quarter, right, if you consider campaigns on an average of opening plus closing basis, then on a year-on-year basis, campaigns, in fact, this quarter have also had 9-9.5% year-on-year growth. Considering share of tier 2, tier 3 cities is growing where our average ticket size is obviously lower compared to tier 1 cities, realizations are expected to be on a downward trend. Now, two key things that are playing out; one, we had taken certain price hikes when we commenced our advertising campaigns, so those particular price hikes have helped in terms of realizations. Secondly, since we have started selling some of these

products on a bundled basis, earlier, suppose, the mainland China was signing up with Just Dial, they were taking a premium listing and 6 months later they were also taking a website banner, then another 3 months later we were able to cross-sell, say, a rating certificate to them. So that was getting accounted as three campaigns because we signed up three different contracts with them.

Now, when they take up bundled offering, obviously it would get counted as one campaign, but value per customer obviously increases. So that also helped realizations to some extent in this particular quarter. So internally, the way we look at is that total revenue should grow, part of that revenue growth obviously would come from realizations and rest would be through campaigns.

Shalin:

Right. So, Abhishek, when we will be looking at them separately, the realization. Do you think that if I look at the average realization in this quarter which is around 4400, so it seems like it should be sustainable because you will be selling more bundled product, though you will be entering into tier 2, tier 3 markets, but is the assumption right?

Abhishek Bansal:

See, it should be sustainable. However, while we have launched bundled products to cater to SMEs, we also realize that in certain set of categories such as chemists, grocery stores, tailors, if we find that affordability could be an issue, we lower price points as well. So in Mumbai maybe the entry level non-premium listings start at Rs. 3000 a month, but in certain set of categories we might have rates going down as low as 1000 or 1500 rupees per month. So from that particular perspective in case there are steps taken to further give more affordable plans to these SMEs, in that particular case realizations could do like could probably end slightly downwards as well. So, as I mentioned, any such initiative whether to launch a combo product or to launch a low-value plan, the objective is total revenue or total revenue per sales person should actually grow.

Shalin:

Got you, Abhishek. Thank you so much. This is all from my side.

Moderator:

Thank you very much, sir. Ladies and gentlemen, before we move on to the next question, I would request participants please press "0" and "1" for your questions.

Ashwin: Yeah. Hi. This is Ashwin from Nomura. I had a few questions. In terms of the traffic growth, Abhishek, that you are seeing are you seeing largely the traffic growth pertain to the search transactions or you are also starting to see an improvement in terms of some of the search plus categories like comparison, flight bookings, food or drink and all?

Abhishek Bansal: See, in terms of actually numbers going to, say, 100 million or 105 million obviously it is more driven through search-related query itself. There is a traction in terms of search plus transactions as well. However, as we all know that there is a significant amount of capital that has gone into getting such sort of transactions by players in the ecosystem, so that also sort of has a bearing on, like last couple of months had lot of festival-related offers, discounts, cash backs which were being floated. So, I think, it would not be appropriate to compare, say, search plus transaction growth with, say, just with such a growth. So primarily it's search queries that are growing at a healthy rate. At the same time, Search Plus related verticals also are seeing good traction.

Ashwin: Okay. My second question is in terms of the unearned revenue like while it has grown by around 13% y-o-y on a sequential basis there is a reduction, so if you are selling bundled products over a period of possibly, say, 3 months, 6 months, then ideally they should have gone up, right, so what exactly is causing the unearned revenues to go down?

Abhishek Bansal: No, Ashwin. In this particular quarter we had higher percentage of ECS contracts that were sold. Most of the contracts that we sell are primarily, we have two types of plans wherein you can pay for 12 months upfront or you can actually buy on a monthly basis. So our particular ECS selling percentage which was at about 35-36% in first quarter went up to about 45-46% in second quarter. So an example of that would be like in Mumbai we are saying that our entry level non-premium package is at Rs. 3000 per month, our particular website banner costs another Rs. 1000 per month, maintaining your website with Rs. 1000 per month, website creation fee is at Rs. 10,000 per month. However, all of these you can get, if you just pay Rs. 5000 per month to just dial. So in this particular case we take 2 or 3 months of down payment and the rest money flows through ECS. So the deferred revenue drop that you see, it's a short-term drop due to composition of contracts. The higher ECS percentage of this particular quarter should result into that particular revenue flowing into subsequent quarters.

- Ashwin:** Okay.
- Abhishek Bansal:** The reverse happened during first quarter. First quarter end, if you see, 290 crores of deferred revenue since March typically has better revenue for us owing to sales appraisals and increments coming in the month of April, so a good amount of money gets collected during the months of – the contracts which were sold during the second half of March some amount of that particular money spills over to first-second weeks of April. So that actually added during the first quarter deferred revenue.
- Ashwin:** Okay. And just one last question, a book-keeping one. What is your expectation in terms of tax rates going forward, there was some jump up in terms of the tax rates this quarter?
- Abhishek Bansal:** So the first half blended tax rate that you see we believe that should be the tax rate we should pan out for the full year or so, about 23-24% or so.
- Ashwin:** Okay. Thanks a lot.
- Moderator:** Thank you very much, sir. Next, we have the question. We take from Mr. Desha, Motila Oswal. Please go ahead, sir.
- Desha:** Yeah. Thanks for the opportunity. My question is, you know, similar to what Ashwin just asked right now on the, you know, unearned, I mean, the deferred revenue part of it, as he rightly said, the monthly subscription base has gone up and if I have to look at your sequential addition of campaigns, is it safe to assume that the yearly campaign guys have actually de-grown on a y-o-y basis or a sequential basis?
- Abhishek Bansal:** No. It could be the case that people who had taken a yearly subscription plan earlier this year when they were up for renewal; they could have taken a monthly paid plan, which was this particular combo offer. So a particular person if they had paid, say, Rs. 36,000 annually last year, this particular year they might have seen better value in that Rs. 5000 per month product.
- Desha:** Sure. And in our revenues that we have booked, apart from the campaign revenues is there any other element of revenues booked on account of anything else like Omni or anything else?
- Abhishek Bansal:** There is a certain amount of Omni-related revenue that has come into this particular quarter, but that is not significant.

- Desha:** But, whatever is the numbers are assuming is the number is 5 or 10, 12 maybe it's a smaller number, but is that revenue book [multiple speakers]? Okay. That's right. My question is to Mani {multiple speakers}.
- V.S.S. Mani:** The deferred revenue point, see, our – what do you call as the ECS contracts and non-ECS which is the monthly payment contracts and the upfront payment contracts the ratio used to be something like, you know, what it was about 31%, Abhishek, in the previous quarters?
- Abhishek Bansal:** 35% in first quarter.
- V.S.S. Mani:** Yeah. And that has become now?
- Abhishek Bansal:** 46%.
- V.S.S. Mani:** Yeah. So that's a big jump, you know, 35% going to 46%. Hence, you would see the reduction is the deferred revenue. In this sense, actually you see it's also the deferred revenue actually, you know.
- Desha:** Yeah. But, Mani, how should, you know, what is your sense how should one think when a lot of your, you know, I would say your campaigns are moving from yearly-based to monthly-based. This pattern change is because of, you know, lesser power of, you know, spending right now, and hence moving towards monthly which in one way reduces the sneakiness in the business, I mean, if there is a guy who is for one year is more than happy rather than having for one month and then again chasing him back again, so how should one really look at this?
- V.S.S. Mani:** Various factors play into this. One could be the point that you said that it could be just generally a cash flow issue that people are preferring to pay on a monthly basis. The other could also be that the sales representatives are trying to sell easy instalment plans so that he has a better conversion, so the combination of the two odd trying to up sell a little higher value or something like that. And we have seen that average realization from ECS contract or non-ECS contract is pretty much the same, I mean, in terms of the actual realization. So, as you all know that, you know, if anything is sold on instalment, more products get sold, more units get sold, so it's always better to. Unfortunately, the legal system does not support us to the extent that, you know, we can take action against

defaulters we actually give up on that, but that's okay. It's part of it, for the last 15 years we've been like that.

Desha:

Sure. My final question is on the employee count part of it and specific to Mani is what is the strategy because, you know, this year we've seen, you know, there has obviously been rationalization of employees and, you know, we've done a lot of spending on ad spends this year, so that as a cost item has gone up and employee cost, the cost has been flat to down, is it a strategical call that we take that next year we will add employees and bring down ad spend cost to kind of, you know, keep the margin at similar level or will there be a year while we see both of them firing, right, you add up 1500 employees and you keep on spending like 80-90 crores of ad spend does that happen or it's going to be, you know, one up, one down kind of situation?

V.S.S. Mani:

Okay. This employee cost or whatever we see as an outcome is more as a conscious effort to look at our business like, you know, can we automate certain processes, can we look at dismantling certain departments, so it's not required. So, see, in a large organization what happens is, you know, when there is a large headcount, you know, a whole lot of people, maybe, 10% of the staff which is not contributing much, you know, in fact, you have to move the entire 10%; it may not make any impact to your productivity in terms of revenue or for any other experience, you know. But companies like us because of some good times that we have had we have been little, you know, careless about it and now the realization set in, then when you are getting affected on the top line growth, you say, okay, let's focus on efficiency. Of course, the top line is superbly important, but why not have efficiency? If I can have an automated process replace 10 employees and give me far better efficiency, why not have that in place, you know? So this is the conscious decision. And more and more as we go forward, we are having a clean paper approach for certain specific departments and look at it and then rethink and implement the same thing. And our goal is to get much higher productivity than what it is whether it is increase or decrease headcount or improving processes.

Desha:

And what would be the guidance of headcount number at the end 18 and 19?

V.S.S. Mani:

See, I don't know if Abhishek highlighted in this call that, although we have grown only at 7.9% in this quarter, there has been a phenomenal increase in the productivity of a set of

employees which is the field sales force, which usually that's cold calling, there has been nearly 25% growth in the tier 1 cities and 54% growth in the tier 2 cities. But that is the phenomenal growth which means the response from customers is there. The products are changed from erstwhile product. Earlier it could be sold on a telesales call and closed probably on phone and executive simply goes and picks it up, but right now there is lot of show-and-tell. So we realize more that if we really want to increase or bring back our sales growth to higher double-digit or 20% or thereabout, I think we need to invest a lot more on the field sales force and large number of people out there probably multiply the team which is whatever the number is, you know, multiply it by 2x or 3x and then that's how we see the growth because actually the customer gets to experience the product; there is a lot of touch-and-feel to it and that's how it is. So that headcount will go up. So you would see that there is definitely going to be a growth in sales headcount, but any kind of other ancillary activity which we had for legacy reasons, those can be automated. We will see lot of corrections there.

Desha:

And any more reasons or areas where you think there can be more cost initiative apart from the employee cost which you really highlighted, so is there more room or bringing or reducing cost like, you know, I mean, couple of quarters before you mentioned that, you know, you used to pay an X amount to PVR for 'book tickets' and, you know, [multiple speakers]?

V.S.S. Mani:

Yeah. Those changes have already taken place and you will see more such things in the – I still see a scope of about 7 to 8% in weightage which could be reduced. But, you know, it's something that you have to do very carefully, but you have to get it done also as early as possible. So we are working at that, you know, but our primary goal is to increase our sales. Obviously when the growth comes back in place, you know, like Abhishek said, you know, employee cost towards percentage to sales would be just less than 50%. So obviously the sales has to grow and that is what our topmost priority is. But at the same time we have become extremely conscious about efficiency and you would see us far more lean and mean and more efficient and more productive.

Desha:

Perfect. Congratulations, Mani, on a good set of numbers and I will come back. Thank you.

V.S.S. Mani:

Thank you so much.

- Moderator:** Thank you very much, sir. We will take a followup question from Mr. Gaurav Malhotra from CITI. Please go ahead.
- Gaurav Malhotra:** Yeah. Hi. I just have one followup question on the traffic which you are getting from Google and other, you know, non-direct sources. If I heard it correctly, between PC Internet and mobile Internet which is 27 plus 69 million, you mentioned 28 to 29% is coming from Google and non-direct sources or only within mobile Internet which is 28 to 29%?
- Abhishek Bansal:** Gaurav on the overall traffic if we see which is all the three platforms together, on that particular basis about 27-28% originates directly to us.
- Gaurav Malhotra:** Or is it directly? Pardon?
- Abhishek Bansal:** Yeah. Directly searching for Just Dial and then coming to us, et cetera.
- Gaurav Malhotra:** Okay. Got it. Sorry. My mistake. Okay. And can you also tell us how much have you spent, so while you gave us a number on the digital ad spend of around 5.5 crores if we presume most of it, it could be spent on Google or there are other search ad there?
- Abhishek Bansal:** Yeah. Google, Facebook, largely it's on Google. We do have certain sort of, say, digital campaigns on Facebook as well, but a large portion is intent-oriented search ad which we advertise or which have on Google adwords.
- Gaurav Malhotra:** Okay. Got it. Thank you.
- Moderator:** Thank you very much, sir. Next in line we have Rakhi Prasad from ALDA Capital. Please go ahead. Your line has been unmuted.
- Rakhi Prasad:** Good evening. I had a couple of question, one was around the revenue split between tier 1 and tier 2 how you classify where you had mentioned that paid campaigns the split was 42% for tier 2 cities and the second question was around your margins for tier 1 versus tier 2 in terms of cost differential?
- Abhishek Bansal:** Rakhi, firstly on the revenue split between tier 1 and tier 2, 3, tier 1 we classify our top eleven cities as tier 1, so tier 2, tier 3 cities had about 19% contribution to revenue and about 42% contribution to campaigns. Coming on to margins between tier 1 and tier 2, 3 cities. See, in tier 2, 3 cities since our average ticket size is

considerably lower compared to tier 1 cities, gross margins there which we defined as revenue less direct sales cost that is, say, in tier 1 it could be, say, around 65-70%; in tier 2, 3 cities it would be in a range of about 55% or so because salary cost between an executive hired in a tier 1 city versus our tier 2, 3 cities the salary cost differential might only be, say, Rs. 25,000 monthly in tier 1 versus 18 to Rs. 20,000 in tier 2, 3 cities. However, as of now, in terms of the average ticket size that has a much wider gap between tier 1 and tier 2, 3.

Rakhi Prasad: And just a followup one how would you see this 19% moving over the next 3 years?

Abhishek Bansal: See, this particular 19% over last 2 years it has gone up from about 15% odd to 19%. Going forward, tier 2, 3 cities definitely would increase their revenue share and that growth in tier 2, 3 cities will not only be led by campaigns; it would be led by pricing growth as well. We are already seeing cases where we had signed up certain premium listings in tier 2, 3 cities, whereas now we get a request that whatever is the system price the monetization could be even higher compared to the system price because they were sold at relatively very low rates in the past. So this particular 19% should definitely inch up to, say, 24-25% or even higher in next 2 to 3 years.

Rakhi Prasad: Okay. All right. Thank you.

Moderator: Thank you very much, ma'am. Ladies and gentlemen, you need to press "0", "1" to ask a question. I repeat. Participants, who wish to ask any question, you may please press "0" and "1". We take the question from Mr. Rohit Gupta. Please go ahead.

Rohit Gupta: Hello? Yeah. I just wanted to know if like the company tracks monthly active users and daily active users on the app – Yeah, I joined late. I don't know if this has been discussed.

Abhishek Bansal: Hi, Rohit. We typically track quarterly active users. On a daily basis instead of tracking daily active users, the internal metrics that we track are how many searches are happening on a daily basis, how many users are coming to our portal on a daily basis, so those are the metrics that we track.

Rohit Gupta: So can you share the quarterly active users for this quarter and maybe the same quarter last year?

- Abhishek Bansal:** Quarterly active users for this particular quarter were about 105 million and same quarter last year was about 76 millions.
- Rohit Gupta:** Okay. And do you also track like time spent on the app daily or weekly, is that metric relevant for you?
- Abhishek Bansal:** See, time spent on the app going forward, it would become a relevant metric for us, but right now, in fact, a lower time spent on our particular app could be even a good indicator because for a search engine typically bounce rates are higher because search engines are meant to furnish information quickly such that user takes that particular information and gets going. So not necessarily a high time spent on the portal would be a good indicator.
- Rohit Gupta:** Also, I see that the figures that you mentioned those are same as your unique visitors that have been reported, so I don't think the metrics are the same, so can you explain that?
- Abhishek Bansal:** Sorry. What I told you was the quarterly unique visitors. What exactly are you looking for?
- Rohit Gupta:** I was looking for mainly like overall active users of the app quarterly, daily, monthly whichever metrics you track.
- Abhishek Bansal:** See, I wouldn't have the app-related users' numbers ready. So, as I mentioned about, say, in terms of if you were to extrapolate, 66% of total 105 million originated from mobile; out of that about 8-10 percent would pertain to apps. So that could be the number on a quarterly basis.
- Rohit Gupta:** Okay. And earlier you used to share the figures for the total number of searches and also like platform-wise this time it wasn't there, do you still track that and will you be able to share it?
- Abhishek Bansal:** We do still track that particular number of searches. But, see, actually the reason we track unique visitors was that there is a sort of activity that keeps happening in terms of, there could be certain sites that might actually be making attempts to crawl data, et cetera which would artificially inflate searches for, say, we have mechanisms in place that within 5 minutes if you make certain number of searches, then that particular IP, etc is blocked. So we realized that unique users could be the relevant and best metric to actually gauge the traffic or usage on our platform.
- V.S.S. Mani:** But we can definitely add searches to this in the next presentation.

- Rohit Gupta:** Okay. That will be great. Thanks. That's all from my side.
- Moderator:** Thank you very much, sir. We take a followup question from Rakhi from ALDA Capital.
- Rakhi Prasad:** Hi. When you mentioned about the 19% for tier 2 revenue contribution total, has it fallen from last quarter which was about 21.5%, so the average revenue for campaign having fallen down for the tier 2?
- Abhishek Bansal:** No, Rakhi. The number last quarter we had mentioned split between top 8 versus the rest of the cities. So there tends to be slight confusion between top 8 versus top 11. Going forward, we would be consistent. Last quarter corresponding number of 19% was 18%, 18% originated from tier 2, 3 cities. 82% last quarter originated from tier 1 top 11 cities.
- Rakhi Prasad:** And could you also give us the split of listings between these tier 1 and tier 2 cities of the 19.8 million split?
- Abhishek Bansal:** 19.8 million I would have to check, but I think they would be split broadly 50-50, 50% would be from Tier 1 rest 50% would be from tier 2, 3 cities.
- Rakhi Prasad:** Okay. So in line with what was there last quarter as well?
- Abhishek Bansal:** Yeah. The listing row that you are saying the one million listing that were added that particular growth is almost across the board.
- Rakhi Prasad:** Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, we take the last question for the day which is from Ilesh Gopani from Gopani Securities. Please go ahead, sir.
- Ilesh Gopani:** Hi. Thank you for the opportunity. There are certain rumours in the market that Google is going to buy a stake in Just Dial, so are there any negotiations going there or can you please comment.
- Abhishek Bansal:** See, the only comment that I would have there is that as part of our regular business interactions, we do keep exploring strategic or business tie ups at any point of time if there is any such discussion worth disclosing we would definitely be doing so.

Ilesh Gopani:

Okay. Thank you.

Moderator:

Thank you very much. At this point of time, I would like to hand over the floor back to the speakers for final remarks.

Abhishek Bansal:

So thank you, everyone. As I mentioned that our focus continues to ensure that usage of our product continues to see good growth and we are hopeful that our particular bundled product offerings plus our thoughts on expansion of feet-on-street should result into higher monetization going forward. And, as a business, we are clear that whatever revenues, et cetera that we chase, we want to ensure that those are sustainable and come at good profit margins. Thank you.

V.S.S. Mani:

Thank you.

Moderator:

Thank you, speakers. Dear participants, that concludes the conference for today. Thank you for your participation. You may all disconnect now. Thank you and have a great evening ahead.

V.S.S. Mani:

Thank you.