



“JustDial Limited Q2FY14 Results Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the JustDial Limited Q2FY14 Results Conference Call hosted by Citigroup Global Markets. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Malhotra of Citigroup. Thank you and over to you sir.

Gaurav Malhotra Good evening everyone. Welcome to JustDial Second Quarter FY14 results conference call. We are pleased to host the management of JustDial on this call. Today we have with us Mr. V S S Mani, who is the Founder and the CEO, Mr. Ramkumar, who is the Chief Financial Officer as well as the senior team of the company. Without taking too much of time I will hand over the call to the management for initial remarks, after which we will have the Q&A session. Over to you sir.

Ramkumar Krishnamachari Thank you Gaurav. Good evening friends. I will go over the financials and operations metrics and then both Mani and I will be happy to answer any of your questions that you may have. So going straight to the revenue for the Q2 we recorded revenue of Rs. 112.65 crores, a growth of 28.5%. Our number of campaigns as of 30th September stood at about 2,38,650, a growth of 27%. We have seen some marginal increase in the revenue per visit. We have also seen some good traction on the friction free model that we alluded to in Q1. We have seen some good results on that, even though we have fine-tuned that to some extent in this quarter. We increased the number of sales and marketing employees especially feet on street on the JD Ambassador program and we continue to maintain a healthy, ever-green contract ratio of about 65%. Coming to cost and EBITDA our EBITDA margin increased 300 basis points year on year to about 31% recording a growth of about 43% year on year.

The employee cost increased during the quarter. The reasons for the increase in the employee cost are four-fold, one is the increase in the average headcount during the quarter, primarily the additions happened as I mentioned earlier in the augmentation of feet on street we were evangelist program. The yearly increments that we normally give happened in Q2. The increments range from 9% to 10%. The normalization of the incentive in Q1 if you remember we mentioned that due to the increased focus on the evergreen contracts we had the absolute incentive cost was lowered than earlier period but that got normalized during this quarter, so we have seen a jump in the employee cost due to that. And finally we had a one-time reward to the tune of about 0.75% to 0.8% of revenue that we gave out to some of our senior managers. The other costs have been pretty much flat during quarter-on-quarter. We will be spending on advt. in Q3, the quantum of which we will determine during the course of the quarter and Q4.

Coming to net profit, the net profit stood at Rs. 28.66 crores, a growth of about 98%. This is after recording a 1.74% crore mark to market loss on our investment portfolio. We had other income of about 8.9 crore, again after the mark to market loss. Our total investment stands at around 572 crore as of 30th September. This is cash and the investment portfolio.

Now I will go over the usage matrix and give you some update on the business and the new product as well and then we go our to the Q&A session. On the usage matrix the overall growth in usage in terms of visits and calls grew by about 36%. In terms of search it grew by 44%. Starting this quarter we are giving out our search matrix as well and going forward we will continue doing so. We have seen some good increment in the mobile traffic. The mobile traffic grew by 168% in terms of visit and about 230 odd percent in terms of searches.

Overall, internet contributed about 68% of the total traffic and out of that mobile was about 20%. Mobile contribution in fact increased over the previous quarter of about 70% in Q1 and from 10% in Q2 last year to about 20% this year.

Coming to the new products as we mentioned earlier in alignment with our strategy to provide transaction enablement services which are logical extension of the search process, we have soft launched a couple of products, which is basically the restaurant food order and table reservation and wine orders. We have many more in the pipeline, which we will be soft launching it over the next few quarters. We continue to invest in developing this platform on the technology side and you will see us increasing as we move forward the number of these products taking shape and scaling up as we grow subsequently.

So with that Mani and I would be happy to answer any of questions that you have. I hand over to Gaurav.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from Jignesh Kamani of Nirmal Bang, please go ahead.

Jignesh Kamani In the first half you added almost 870 employees which is around 10% growth compare to the March level as much as major chunk gone into client facing so if you remove the _____ **8.26** the growth in the client facing will be close to 13%-odd. So existing feet on the street are fully utilized and there is no much scope to leverage from there or we can see growth in the new campaign will be much higher and we are preparing for that?

V S S Mani Absolutely, we will be hiring more people on sales with Feet on Street at least another 1000 people in the next 2-3 quarters. That is because we need to actually show and tell because our business is more about show and tell now and we are in the process of recruiting people and you will see a big spike. This quarter I think we recruited only about 100 odd people, but in the next two quarters you can see an increase in the sales force.

- Jignesh Kamani** So existing employees are fully utilized, is it safe to assume pertaining to marketing side and client facing side?
- V S S Mani** Yeah of course, they are being utilized in the sense that you mean to say are we going to recruit more telesales people or not -
- Jignesh Kamani** Telesales I said anyhow you can say that our voice call is not growing at healthy rate so I think there is enough head room available I suppose. And secondly if we talk about cost per employee, if you talk about this quarter, it has increased by around 19% on a YoY basis. As you mentioned we took a price hike around 9-10%, so around 9% to 10% is abnormal for you, which you mentioned account of – you can in horizon of model and that is commission and everything. So are you able to quantify the amount which are you can say one time in impact.
- V S S Mani** It is about Rs. 80 lakhs approximately which is one-time reward given to people which will not be repeated in next quarters and of course the annual increments were there with more people. I think the overall impact was 18% in terms of employee cost.
- Jignesh Kamani** And the last question, CAPEX will be required at BPO center cum IT center at Bangalore?
- V S S Mani** Just now we got the land and it is not really a BPO center, of course it is for our consumption, our own internal purpose and this we had applied in 2010, sometimes it takes time to the government and we just got the approval and we are taking possession of the land now. I mean we actually paid the token amount and I think the project will take at least 2-3 years. It is not going to be that fast because we need to wait till that area develops in terms of all the basic infrastructure. This is a huge campus area in North Bangalore where the kinds of Infosys and Cognizant and others have also taken land at the same place, it will be the future software technology parks based out there in Bangalore. It is very close to the airport.
- Jignesh Kamani** Can you give some guideline of total CAPEX which can be made in two- three, year end this second development and this centre?
- V S S Mani** We have 15 acres of land which will be about 37 crores of something like that and I do not know the construction we have to just sit and plan, how many phases, how much less square feet we require now in phase 1 and then 2 and 3. So I think in the month or two they should be able to tell you about the exact allocation and plan.
- Ramkumar Krishnamachari** But overall we believe it will be in the line with what we had stated earlier around 5% to 7% of the total operating revenue, probably we will be able to manage some of the construction cost within that amount that we stated.
- Jignesh Kamani** But it will result into lots of operating benefits because right now we are paying lease rental which you can say could be reduced to the extent in future.

- V S S Mani** Hopefully yes.
- Moderator** Our next question is from Mr. Gaurav Malhotra of Citigroup Global Markets, please go ahead.
- Gaurav Malhotra** Just a couple of questions. One is on this land – you mentioned that 37 crores is the cost of the land so when will you have to pay for that? Second is on your employees, if you can just give us the breakup of these employees into how many are for call center, how many are feet on the street, how many are sales force over the phone etc?
- V S S Mani** The request for the first payment has come already. The demand has been raised. It is about 20%, that we will be giving it anytime soon. So that is about the land and the other installments as and when the government intimates to us we will be paying them.
- Gaurav Malhotra:** But that will happen over say next one year or
- V S S Mani** I think it should happen within a year. And as far as the employees are concerned we currently have about 8200 odd employees as of last quarter 30th September. The breakup is approximately about 2150 among the people answering calls which has of course dropped from the previous quarter by about 6%-7% and sales and marketing we have about 3900 people and the evangelist program that we have, we have separately another 600 people and so basically in the sales and marketing out of the 3900 people we have a breakup between tele sales and the feet on street which is around 3000 tele sales and about 1000 people on feet on street and rest all into technology, database and other departments.
- Moderator** Our next question is from Niket Shah of Motilal Oswal, please go ahead.
- Niket Shah** Wanted to know any particular reason why our internet visit business growth has actually come below 30% and similar kind of trend is pretty much witnessed as far as our search growth in internet is concerned, that has actually to 26.7%. Any particular reason for that?
- V S S Mani** Currently I think most websites have risen this trend because we are seeing increasing number of people accessing internet on a cellular phone or a tablet. So I think going forward you may see more of this trend where the shift from PC to mobile you will see it. Our company's business does not get affected because our monetization still remains the same.
- Niket Shah** Second question on your newer product launches which we have already done, which is a food order and table booking and wine delivery model, how will we be charging most of our customers out there, I mean people who actually sign up for them? How will we charge for them? Is it on commission based model or is it something like a base business model that we do like you have three different accounts so on and so forth.

V S S Mani

The way we work is slightly focused on the user first of all, especially on new products we come out with the new products not to make that extra money that we see in short term, but we see that we can involve our users can deeply engage with us and we actually help them save time and money, that is the basic philosophy that we have. Based on this what we try to do is for example ordering wine or food or booking a table in the restaurant or for that matter the host of other services that you want to see, pretty much everything that you do from day to day morning till evening you will be able to do it online now. And you will see as rollout this in the next few quarters. The monetization part is something we know for sure that we will be able to immensely monetize it at sometime, right now that is not a thinking in our mind. So there could a good mix like existing sponsored listings would get these products for free as part of their campaign so that their customer satisfaction level goes to next level. And the so called businesses who are not yet on our sponsor listing or the premium listing model, they pay a commission for every lead that is generated for their business. But it is too early to comment on any of such revenues because we are trying to change the user habits. We are slowly getting users from instead of calling use these kind of facilities. So as you know that it took a while for people to go online and book travel tickets like air tickets and all that, but this time it will be faster because by now people are used to lot of other online transaction, it is question of discovering it and actually believing in it and doing it. So I do not want to really count on the revenues right now. I am really working hard to get users use these products.

Niket Shah

And when do we actually see the launch of Get Quote? Is it likely to be next quarter?

V S S Mani

So we just postponed it to post-Diwali because we thought like there are too many things happening, like in the next day or two we launched the new look of the site and basically the results based on and all that, when you see the transaction tabs would be far more prominent, more inviting for you to discover and you will see that happening in the next two days. And after that after Diwali when the vacation gets over you will come back and implement the product. Initially the product that we will have is actually giving you information about the products and the vendors who are dealing in it and then you will start getting the real quotes right upfront and there is always a Buy Now tab there which you can click and buy it also. The experience is quite similar to any eCommerce, right. The only difference here is we are facilitators so we do not keep any inventory. We help businesses to come into our platform, have a complete shop of their own, and the consumers can actually buy from any of the shop that they prefer and that will be a prominent rating service available for those establishments, where there will be Just dial verified stamp to build more confidence and of course there will be price differences between the vendors. So you can decide which vendor to buy it from. That is how it is going to work, but we feel it is a very powerful item because when we pre-tested it we got a phenomenal user response in terms of, oh wow, this is even better than what online shopping is because this is I am going to buy from those familiar outlets and I know that these are shops and establishment that I lived in that city and I know they exist so I am happy to buy, like for example camera from JJ Mehta or a mobile phone from Vijay Sales and things

like that. So that is the growth, there again the awareness that we have to create to people but we are pretty confident about it.

Niket Shah But is it safe to assume that this will be a PAN India launch and the integration part with your vendors at the ground level, local wise, is pretty much there is place?

V S S Mani So what we are doing, first phase we are just launching it as it is and we have already started educating the vendors but you will see that there will be some time lag between the vendors adopting it and start publishing their current live rates. Till then it will work like a quick quote which means that you can request for a quote and you will actually get competitive quotes. We have tested that product, that incidentally I just want to give you an example, we will be tested for a product like one of our colleagues got a camera and he bought the camera from using this method and what he has got was like the best known eCommerce site was having huge camera deep discount offer available and there the price was even Rs. 200 more than the price that we were getting here. And the second difference was there the delivery was minimum 3 days of waiting time, here the delivery actually happened in 3.5 hours. And third is the buyer actually was confused whether to buy a blue color or a black color. The vendor actually landed up with both the colors for the buyer to choose and finally the buyer bought the blue color one and he also taught how to use the products. So this is all the big benefits that you have buying from this marketplace.

Niket Shah And one just bookkeeping question for Ram, could you just tell me the search request numbers segment wise for Q1? Would that data be possible?

Ramkumar Krishnamachari Segment wise meaning?

Niket Shah Sir you have actually disclosed your search growth category wise for Q2 of this quarter and last quarter say Q2FY13.

V S S Mani We will search by PC Mobile in voice.

Niket Shah That is correct for Q1.

V S S Mani You want a comparison between Q1-Q2 or you want it for Q2 last year versus this year?

Niket Shah No, I want Q1 versus Q2.

V S S Mani Q1 versus Q2 we saw a growth of about 3.5% in the traffic and 33.4% in mobile internet searches and about 1.25% in voice. So that is a temporary slow we can see that in voice but it might even pick up because once we launch the soft run and products you may see that some people who do not want to go online actually quickly calling up our services and telling, tell me the price of Samsung S4 or iPhone and things like that, so that could also take off again.

So you would see that searches are increasing going up, and as we predicted before that more the users shift to the mobile phone, we will see the same user using our service more number of times and that is kind of showing very clearly.

Moderator

Our next question is from Rajiv Sharma of HSBC Securities, please go ahead.

Rajiv Sharma

Just two questions from my side – first is good that you have extended your business model from search to online transactions, but I just wanted to understand internally you must have done some study in terms of what is the total market size and what is the desire or market share you are targeting. I know this is sort of a broad based question but just some numbers which can allow us to understand the total opportunity which you are targeting and your market share which you are going to target. So you can mention the 4-5 categories like movie tickets and others, what is the total opportunity you see there and second question is if you can help us understand the key new products which you plan to launch in the second half of this fiscal year or early FY15 and your plans of monetizing them. That is it.

V S S Mani

To answer your question first is the opportunity is huge, even to put a number to that is very difficult right now specially in terms of number of people engaging themselves to do such things at just dial and that is going to be a big opportunity. Just to give you an example today if you want to buy a product, you would either go offline from one store to another to find a price for the product or you may go online to some place to find out the price of the product and then go to an offline store to buy it because we all know that even 99% of commerce is still offline only. Our effort is to get this offline commerce to online, actually the action itself will happen online so why even walk up to that store, why cannot from your preferred store but using the JustDial platform. So I can actually, this is not just for buying products like branded products, of course it is like branded durable products will definitely come to JustDial first to discover the price for the product because we will have multiple vendors quoting for it so obviously that is the right place to go to. Second is also to actually click there and there and buy it and which you are sure that you might even get the same day delivery. But this is what our wisdom, our idea is to take this whole online commerce to a new level. We believe that people who want to buy products like – if I want to buy from a particular mall and a particular store a particular perfume, I can still go and choose that particular shop at JustDial and buy that perfume. It could be an Infiniti Mall in Mumbai and I want to buy from that XYZ perfume store, this particular perfume brand like Paco Rabanne or whatever, I can still do that and that will be delivered at my doorstep and it will probably be a free of cost delivery at the same day. That is the idea, which means we are giving an online capability to all these offline stores. So it could be multiple outlet stores, it could be single outlet stores. Then coming to services there are things like restaurants, medical stores, or a doctor, there we are trying to give what they want. For example, a medical store, a lot of the medical stores in urban India actually do home delivery. So we said okay, why do not we give them just add to our feature on their own store. So each one of them will have their own store. So you could see a complete replica of your

medical store available online at JustDial. You can still buy the medicines or cosmetics or whatever it is and just hit the Submit button and that would actually delivery at your doorstep. You will have the facility of paying by credit card, or you can actually pay cash on delivery. So you can imagine this to any services this will be extended. Then wherever there are things like doctor and all you have to fix an appointment, we will allow you to fix an appointment. Basically the doctors are given a digital calendar they refer to. Their clinic also uses the same calendar and we also use the same calendar thereby you are able to choose the time and date that you want to visit the doctor. Now to see this revenue opportunity I am not looking at it. None of us in this team is looking at that because we know for sure that once we take the pace off that the revenue opportunity is going to be huge. We are extremely user focus company, first we want to get the product right and give the user with the wow experience and satisfaction and then figure out about how to make money on this, which obviously there is a sales team which is already thinking about it, but I do not want to put a number to it.

Rajiv Sharma

These were useful comments but if I could put this in a different form that what quotient of your revenues will be coming from this revenue line let us say over a three year period. And what is the kind of fee which you plan to charge on the home delivery? Will it be 1-2% or a minimum 3% and will raise the cost for the customer or it will be borne by the vendor?

V S S Mani

It is difficult to predict the revenue that will come from this because one, we are trying to create absolutely a new thing which the market has never experienced. Secondly, when we look at it we are doing these changes to our service because we feel our users are evolving and they want to do things online hence we are doing this. So the monetization part would come. I mean it could actually be 25% coming from these projects, or may be 10%, may be 40%, but you cannot predict it right now. It is extremely difficult. But what happens is it motivates more users to come to JustDial and do more number of things. It motivates more and more vendors to they may find JustDial as inevitable. You have to have a JustDial strategy to your business, which is what we want.

Rajiv Sharma

Second question – new products which you plan to launch over the next 6 to 9 months and your plans of monetization apart from this online stuff?

V S S Mani

Basically you will see a rollout of all these things, like I spoke about just now the shop front which means buying products from different stores and all that and you will also get to see, now we have already taken the order food and order wine in some cities and you will also see other things like booking a cab or ordering medicines across the cities and whole lot of things like travel. Because what we feel is that our users once they engage just through JustDial with imparting their credit card details and all that they will love to have this single click and get things in single click, double click and get things done. So we have tried to create a complete laundry list of things that our users want to which we will cover, even bus ticketing, rail ticketing, air ticketing, even a hotel booking and various things. But we will not be advertising

aggressively by saying this is the destination for booking air tickets, or this is the destination for booking hotels. We are giving one single platform for you. If you want to order flowers you will see that also going live next quarter and make life easy for you and as a user you may prefer us because one, the price is going to be really low, probably the best. Second is that you just give your personal details like your credit card and all to a very reliable site and then you are just doing double click and your job is done because you do not have to give your address because your address is once registered, you will use it for multiple transactions, whether it is ordering food or ordering medicine, the address remains the same or even calling a cab. So that is what we feel is a big plus and you will see a lot of this going live in this quarter.

Rajiv Sharma Do you see significant increase in the CAPEX in IT over the next couple of years because you get into this and if there is a number you planned and does that mean upward division of your CAPEX estimates?

V S S Mani No, not really, the CAPEX is not growing.

Moderator Our next question is from Jaisingh Suchak of JM Financials. Please go ahead.

Jaisingh Suchak Just wanted to ask you in terms of the tax rate that is being consistently coming down and one reason for that would be the increasing component of the other income which comes on the fixed income side. Sir at what level do we think this will stabilize and is there any other reason for a tax rate having coming down?

Ramkumar Krishnamachari It is primarily due to this other income where predominantly the profit on sales that we book is essentially indexed, so we get the tax benefit out of that. So you would see this stabilizing at this rate at subsequent quarters. You will see similar trend. So while our core business is fully taxed, the other income pretty much would have large component of profit on sale which is already indexed.

Jaisingh Suchak But as the proportion of other income to the core income goes down then probably it will normalize and come back to the original levels probably.

V S S Mani Right.

Moderator Our next question is from Sandeep Muthangi of IIFL. Please go ahead.

Sandeep Muthangi It will be great if you can explain these new businesses in a bit more detail particularly when you are referring to collecting credit card numbers, etc., how would you be compensating the vendors? Would JustDial be paying them and taking money from the customers via the credit card or how does this whole thing work?

- V S S Mani** So basically the vendors who transact through us are willing to wait for 2-3 days for the money to be transferred and from JustDial side as the transaction gets done instantaneously and we will initiate credit to the customers' account is quite directly possible within 24 hours. But the money is guaranteed for the vendor so he can go ahead and fulfill the order.
- Sandeep Muthangi** And in terms of dealing with some of the technical challenges like making sure that the inventory is live, etc., would it involve replacing say a medical shop or a chemist internal IT system with JustDial system? Is that necessary to get this done?
- V S S Mani** That is in the process. Right now the statistics that is given by them is like 7% of the items are now found usually in orders and things like that. So that is not a big paying area, otherwise we just want to give them our own system which they use it and so that is a bit of the hardware cum software solution. The software part is even in JustDial, we are encouraging them to spend on the hardware. We are also willing to give them a hardware at a nice economic price because we are able to negotiate a better rate with vendors so we are in talk with time.
- Moderator** Our next question is from Hiren Dasani of Goldman Sachs Asset Management. Please go ahead.
- Hiren Dasani** What is the difference between usage and searches?
- V S S Mani** A visit is a usage, a call is a usage and the number of queries done by the user is the searches. So if you say I searched for a caterer and decorator it is two searches. If a user just comes and searches for only one service like a bus service or a car rental service that is a single search. So a single user can use multiple searches at a time.
- Hiren Dasani** But let us say if I use car rental in Andheri West and car rental in Andheri East, that would be two different searches?
- V S S Mani** Well mostly people do not do that. We capture the searches as per the keywords but yeah, if you put a different area or something it is quite likely to be termed as a second search.
- Hiren Dasani** And the mobile internet visits of 24.3 million, how much of that would be through the app?
- Ramkumar Krishnamachari** 1/3rd of that would come from app, 40%.
- Hiren Dasani** And the other thing is that all this order fulfillment and all, and while I was listening to the call I was just trying to do some stuff from Mainland China Andheri West and I see that you have already menu available there. You can put it on the card, etc. So this is already live at least for some categories in some cities, right?

- V S S Mani** Absolutely I think about 4700 restaurants it is live PAN India and we would see that it will cross about 10,000 restaurants in all. And also you will see more such other category business as well. Even not just this, you want to go for a spa you will be able to see the services of the spa and very soon you can even book. You can even choose a therapist.
- Hiren Dasani** Sure. But as you were saying earlier currently you are not really charging separately for this, it is more of a user fulfillment, user experience which you are building in today as of now?
- V S S Mani** Basically we do not look at these products to make money immediately. We know for money making it should be definite because overall when you look at JustDial is a service we have been there for last so many years and we have only focused on free service to the customer and we have grown this part. So definitely the money making will happen but right now that is not the priority. But as I said there are two types of businesses there. There are businesses that are participating in our premium listing model and there are businesses which are not yet there. If they have transaction tab they are most likely to pay for every business lead that they are generating.
- Hiren Dasani** And considering what we have done on the EBITDA margin for the first six months, is it fair to assume that earlier we were looking at about 150 to 200 bps margin improvement for the full year versus FY13, do we still stand by that or you think we can probably better than that?
- V S S Mani** Yeah, we have a good chance to do better than that but we will right now stick to our commitment of 200 bps.
- Moderator** Our next question is from Vinay Rohit of ICICI Prudential Life Insurance. Please go ahead.
- Vinay Rohit** Could you please share search data for FY12 and FY13?
- Ramkumar Krishnamachari** We can share that quarter-on-quarter.
- Moderator** Our next question is from Pulkit Singhal of Treeline Investments. Please go ahead.
- Pulkit Singhal** My first question is on the revenue per visit. In the first quarter it was 9.1 and right now it is around 9.2. If my understanding was correct you mentioned that this will improve going ahead. Are we seeing this as a permanent drop in revenue for search going ahead like from the levels of 10 or do you expect this to go back to similar levels?
- V S S Mani** It can go back but then the revenue per usage is going down because of overall the usage is growing and then we need to do some bit of catch up especially when you look at the mobile usage and web usage so we are figuring it out how to really improve further.

- Ramkumar Krishnamachari** Definitely you will see this going up subsequently or in the subsequent quarter as well as the revenue normally if you look at it the second half of the revenue, the revenue is better than the first half quantum wise. So you will see this number going up and as Mani already mentioned whether it will come back to 10 in March, difficult to say at this point of time because the way the mobile internet usage is growing so there will be some catch up that will happen, but you will see the quarter-on-quarter improvement going forward.
- Pulkit Singhal** If my this finding is correct in case of voice, the SME can actually contact the customer back, but in mobile and internet there is no way he can contact the person because there is no tracking of the customer. Is that right?
- V S S Mani** Yeah partially right. In case of voice we give real time feedback to the customer, but in mobile also we are able to keep track in our ways, in number of leads generated. So it is not something to worry about because the good thing is that the overall search traffic is phenomenally growing and we are not too far away from the monetization also, so that gap is literally is seen in any high growth usage company, more traffics will be seen.
- Pulkit Singhal** Is there any plans or points that we can make it mandatory for someone to log into your mobile or your internal website before using the search, so that the SME can actually track that this is what is they had searched and let me get in touch with them.
- V S S Mani** We can do but then there is a big risk because you do not make anything mandatory in today's world. You can drive away users so you ought to be very-very careful about but you can actually encourage the user to go out with this detail because you could get some benefit in particular and that is already happening actually with several of them actually participate in our best deals program, viewers option program and things like that. And with this transaction thing coming in like the Quick Quote and all that you will see a large number of users actually willing to part with their details so that they could get a quote by mail and things like that or email or SMS.
- Pulkit Singhal** That would be for the new business but not for the existing, like a general search that would not be required.
- V S S Mani** Like what?
- Pulkit Singhal** Like for instance a general search, you obviously cannot make it mandatory. Like in case of a mobile app it is not like he has a user name and password and he logs in and then he makes a search the SMEs come to know that this guy has searched and this is what his details are to reach out to him.
- V S S Mani** Actually in the mobile app we know exactly who the person is to the extent of his mobile number, but we do not part with it because we made it slightly different from voice unless he

initiates this we do not do that. But we give proof of usage, proof of benefits from all the mediums that is no different.

Pulkit Singhal And secondly in terms of the employee addition if I read correctly, last year for IROs you added something around 250, but this year it has cost around 300. So you said 2150 is your number?

V S S Mani Yes.

Pulkit Singhal So I am just trying to understand because I am assuming the number of voice pay search is coming down.

V S S Mani It is not that growth is slowing down. We are still growing. See it is a country with a lots of different people, like you would still see that over next couple of years may be the trend of growth in voice will be there but that is because the overall pie is growing so much more. For example, if you compare the growth between voice versus mobile internet usage, mobile internet usage is like triple digit growth whereas voice is like lower double digit. So that is the difference.

Pulkit Singhal But you mentioned that it was coming down to 150, is it the lower figure than the previous quarter?

V S S Mani See sometimes what happens is if you have used JustDial voice service, it is usually a no-ring experience which is first ring experience. So in order to achieve that we usually employ more than what we require. So that we would have probably anticipated much more people and recruited and we have then realized that we can actually do away with 4-5 sort of people so we would have filled up that position and we will still be able to give that service.

Pulkit Singhal And lastly on the strategy on feet on street versus daily ambassadors, I am counting this separately feet on street executive. So that was 944 last year and it has come down, 900, but you have focused more on increasing the daily ambassador. What is the thought process of that?

V S S Mani Actually it has gone up, the feet on street, it is about 1058 now as compared to 940 and both are almost doing the same thing. The difference is the ones that are working with the tele sales force they only do pre-appointed, fixed appointment calls and they usually have 4-5 appointments waiting into and that is how they are monitored. So a lot of work is done by the tele sales and they go there to close the deal. The ones that we are using are evangelists are ones who do gold knocks, they actually go and educate these businesses how to use JustDial to save cost for their own company, how they can use JustDial to promote their own sales, how they can enrich their content, help them enhance their content in their own free listing and then educate them, look your competitors are here, they are also already putting up pictures and

they have a premium listing and why do not you also become that and that is kind of educating the users.

Pulkit Singhal Okay, so you go geography wise on this or how do you go

V S S Mani Yeah, it is all geography wise, it is like moving from one territory to other.

Pulkit Singhal And lastly for your new businesses I mean I guess you cannot probably not talk much about the revenue side, but how do we look at it from the cost angle? So I am assuming, given the low CAPEX intensity of the business, is there any number you can share say number of employees who are focused on new business, or some process that you have incurred or you expect to incur just say number of employees?

V S S Mani The number of employees that we are increasing among the evangelist because that is where we feel we have to increase and they are actually revenue centers for us. They are not just educating people, they are actually highly profitable centers. They recover more than their salaries and start contributing to the bottom line. So that strength will be increased as I said which is right now with 600 people, so potentially it can actually go up to 2000 people in the next 18 months. May be fast if the response is good and their job is to really educate the businesses that they need to participate in this program.

Pulkit Singhal So they are taking care of the new businesses also, I mean I was talking more from the new products

V S S Mani There are no separate sales force, sales force is common.

Pulkit Singhal So this way we can ascertain how much is the cost for the new products.

V S S Mani There is not going to be special cost for new products especially apart from creating the product. So the rest of it is all set.

Moderator Our next question is from Shreyas Devalkar of BNP Paribas. Please go ahead.

Shreyas Devalkar This is regarding your conversion of paid to total listing is around 2.6 odd percent. Whether these new services help in increasing this conversion rate or this new services are broadly more taken up by the existing clients?

V S S Mani New services will definitely increase the number of paid customers because it makes JustDial even more attractive.

Shreyas Devalkar And secondly I think some 7-8 months ago you started billing on monthly or two monthly basis versus earlier practice of 6 monthly or more, I mean from payment from six months to

nine months. So whether that is done now and what percentage of revenue has gone from this monthly or two monthly?

V S S Mani I will put it this way. We encourage people to pay monthly, earlier weekly and monthly. Now we insist more on monthly. If you look at our monthly revenues I would say about 50% of that would be contributed by people paying us on a monthly basis or may be slightly more.

Shreyas Devalkar But whether this has increased your effort on telemarketing because this may lead two more general or there is someone who would have paid for six months or is it there for six month and now you need to exclusively keeping engaged with you for every month?

V S S Mani No, no we do not go to the customers every month. We do not renew every month basis. You sign an auto renewal contract, it is almost like an perpetual contact. There is no tenure specifically mentioned. So it actually goes in your bank account, takes the monthly fees.

Moderator Our next question is from Srinivas Seshadri of CIMB. Please go ahead.

Srinivas Seshadri Just one question, looking at your usage data and comparing it with the search data, it appears that on the mobile internet side especially which will be fastest growth driver on this website, basically the search appears to be growing much-much faster than the usage. So just wondering, and that seems to be particular to that category of search. So wondering if the lead generation is keeping pace with the search or is there a lot of some bit of a non-lead generating or kind of a casual search business which is happening in that particular segment, if you can just comment on that.

V S S Mani See if you download our app then you will have lot of users actually you can discover that there are so many more things I can do at JustDial. So that is one of the reasons that you see mobile and web users actually using more number of times, more number of things as compared to a pure voice message. Now usually it is seen that people do not use JustDial for time pass or just about finding things, it is all about a specific requirement at that time and go and fulfill that need. So I would assume that these are searches which are finally resulting into business to some of our vendors and they are fruitful searches and we are benefiting from that. So the quantum of searches will definitely grow. So we will have to really improve more and more on our innovative way of monetizing it.

Srinivas Seshadri So basically what you think is based on whatever data you have the lead generation in the mobile search model is as good as voice or your traditional search.

V S S Mani Absolutely.

Srinivas Seshadri And based on whatever data you disclosed for the past few years, it appears that the revenue per search like in a particular range, or rather revenue per usage since that is what you have

disclosed historically. So given the fact that the newer search methodologies obviously are kind of having a higher search per usage, should we be tracking the revenue per search or revenue per usage? Would revenue per search be a good metric of the kind of a progress in terms of monetization etc? And should that kind of hold or I mean how does one look at it from the other hand basically if one wants to look at it from a user perspective?

V S S Mani

Overall when you look at it you must look at the traffic, is the traffic growing and the revenue monetization is growing hand in hand or not. Revenue per usage or per search you may see a bit of declining trend and overall traffic grows rapidly then the products catch up, then the monetization catches up and then you would see an improvement. So I would probably say I would give importance to traffic and revenue per usage both together, not like look at only revenue per usage. Whether you look at revenue per usage or revenue per search both would be like interlinked, so any one is fine.

Srinivas Seshadri

What I am trying to gauge is not a quarter or couple of quarters but if you take a three-year view should search be a good kind of thumb rule in terms of revenues staying kind of per search that is the key level, that is what I am trying to gauge.

V S S Mani

Now when we probably overall look at it I keep track on traffic, I see the traffic growing and then I will also keep track of what is the monetization for a search. So all those incremental traffic they have been monetizing or there is more and more wastage. But probably I will keep in track but then if the overall pie is growing, overall revenue is growing I would not be a worried person.

Srinivas Seshadri

And sir just if I can squeeze on one more question, did I hear you right in saying that for all the search plus kind of services which we are kind of getting into is there no kind of an incremental cost attached, so it is basically all employees and so on who are already been hired and working on various solutions. So the current base kind of factors in those costs already?

V S S Mani

Absolutely, because see basically it is the software team where we spend most of the money. There is no special hardware requirement here.

Srinivas Seshadri

And what about the implementation like you mentioned 4000 plus restaurants etc, so seems to be a family widespread kind of a rollout of each of these activities. So how does that happen? How does the cost of that kind of....

V S S Mani

There is already a team in place. There is a team which works with customers. There is a support team which is we have over 900 employees and so we leverage all these teams to get the objective, so there is a combination of the sales team, there is a customer support team and there is special core team which is working on enrichment in this particular project. So all three are already there very much on rolls and we are using them.

Moderator Our next question is from Nivedan Reddy of Axis Capital. Please go ahead.

Nivedan Reddy Just two questions – one is on campaigns. We have already seen the benefits of efficient fees sales process kicking in and now that you have already mentioned that it has fine-tuned further, how do we see the number of campaigns added quarter going ahead, will it be on the better side of 17,000 or can we take this as a base at least?

V S S Mani Where is this 17,000 coming from?

Nivedan Reddy 17,000 of campaigns added quarter-on-quarter.

V S S Mani Yeah, so we grew about 7.5-7.6% quarter-on-quarter, I think we should continue that. I do not see any reason for that slowing down.

Nivedan Reddy And the second question is with regards to churn, since we are moving to implementing new products and that more or less will increase the user engagement. How should we look at churns two years down the line? Right now the churn must be around 40-43% including the modality rate. Will that kind of go down from here on?

V S S Mani I do not want to predict that because this has been a trend for last 14-15 years we have been seeing this trend. So I would just leave it like that. If it improves it is good, I mean we are hoping that things will improve because as I said earlier in this call that we want to show to vendors that JustDial is inevitable part of their business. If they have a brick & mortar shop they definitely need a shop in JustDial and once we prove that value I am sure more and more businesses will realize that it is important to be on JustDial and being a paid customer may be the attrition rate will go down.

Moderator: Our next question is from Rohit Gajare of UTI Asset Management. Please go ahead.

Rohit Gajare Just one clarification, when it comes to new products that you are planning, you do facilitated transactions but will you do execution of transactions namely the delivery of goods and services let us say from restaurants or may be other ____ **56.59**. Is that your responsibility or it is the vendor's responsibility?

V S S Mani No, we would never do that. We would never get into logistics nor will we get into warehouses. These two things we would not do.

Rohit Gajare And with reference to investments in people, from the growth perspective the higher investments would be first in the sales force and what you call is the evangelist, that is the kind of work you would be hiring more.

- V S S Mani** I would say is this way. We would increase our sales force, that is definite and because there is scope to increase the feet on street at least to the tune of another 1500 people we can add. So over a period of time we can add this. In addition we will always strengthen our software team. We want to have the best of engineers work for us, so we would go ahead and recruit the best of engineers and continue to increase our strength there also. There are two areas where we do not look at any budget. We just go ahead and do that if it is required.
- Moderator** Thank you. Ladies and gentlemen due to time constraint that was our last question. I now hand the floor back to Mr. Gaurav Malhotra for closing comments. Over to you sir.
- Gaurav Malhotra** Thank you sir. We thank the JustDial management for taking time for the call. This concludes the call. Thanks everyone for joining.
- V S S Mani** Thank you everybody.
- Moderator:** Thank you. Ladies & gentlemen on behalf of Citigroup Global Markets that concludes this conference. Thank you for joining us and you may now disconnect your lines.