“Just Dial Limited 1QFY19 Earnings Call”

July 23rd, 2018

SPEAKER: **Mr. V.S.S. Mani, CEO and MD, Just Dial**
Mr. Abhishek Bansal, the Chief Financial Officer, Just Dial

Moderator: Good evening, ladies and gentlemen. I am Arshad, 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' line will be in the listen-only mode. We will have a Q&A session after the presentation. I would like to now hand-over the conference to Mr. Ashwin Mehta. Thank you and over to you, sir.

Ashwin Mehta: Thank you. On behalf of Nomura, we would like to welcome you all to the Q1 Earnings Call of Just Dial. We have with us Mr. V.S.S. Mani, the Managing Director and Chief Executive Officer of Just Dial. We also have Mr. Abhishek Bansal, the Chief Financial Officer of the company. So without further delay, let me hand it over to the management.

Abhishek Bansal: Hi, everyone. Welcome to Just Dial's earnings call for first quarter of FY19. I shall quickly run you through financial and operational highlights for the quarter. Operating revenue stood at 211.4 crores which grew 11.3% year-on-year, operating EBITDA stood at a healthy 57.4 crores witnessing strong 77% year-on-year growth and about 25% sequentially. Adjusted operating EBITDA margin excluding ESOP expenses stood at a very healthy 29.5% for the quarter. Now, we have transition to revise the counting standards Ind AS 115 which are required to be adopted from 1st April 2018. In our case, application of the standard has impacted the way sales-linked incentives are expensed in our P&L. There are no major other changes. The new standard requires that whatever costs that are directly linked to acquisition of revenue should be expensed in line with revenue recognition. So, for example, if a contract was, say, 10,000 rupees acquired and 1000 rupees was paid out as incentives or your entire 1000 rupees was expensed in the quarter the payment was made, now you will be expensing P&L as and when revenue recognition for that particular contract takes place, which obviously is the fairer representation. As a result, employee cost for the quarter is lower by about 2.7 crores versus the cost that would have shown up if older standards were applicable. Post that, impact on PAT for the same was about 1.75 crores for the quarter.

Net profit for the quarter stood at 38.5 crores which was almost flat year-on-year. However, key to note is that we had lower other income during the quarter. Other income stood at about 8.2 crores versus 16.6 in previous quarter and 26.6 crores same quarter last year primarily due to increase in bond yields resulting in MTM losses on long maturity, tax-free bonds in our portfolio.

Unearned revenue stood at 371 crores as on June end witnessing strong 28% year-on-year growth and 11.5% sequentially. Cash and investments stood at about 1288 crores as on June end which was an increase of about 88 crores quarter-on-quarter, out of which approximately 80 crores attrition was due to operating cash flows.

Coming to operating highlights, despite a high base of 100 million quarterly unique users, we were able to grow our user base at 25% year-on-year to about 125 million users. You would recall that we were at approximately 76 million unique users 8 quarters back and within last two years we have added 50 million users which I think is great as far as business is concerned. We continued healthy trend of new listings addition and we now have about 22.7 million active listings in our database which was 21% year-on-year increase. 52% of the database is now geo-coded and there are about 48 million images in our database.

Paid campaigns at the end of the quarter stood at approximately 453,000, addition of about 7800 campaigns during the quarter. As we have mentioned in the past, we expect overall revenue growth this year to partly materialize from volumes and partly due to realizations going up and the same is panning out as well. Overall, in a nutshell, I think it was a great quarter for us. Revenue growth was highest in last 9 quarters, strong user growth, strong margins on the back of efficiencies that we have brought over last 4 quarters. During the quarter our new mobile site was released which has cut page load time by about 40%; it is superfast now. The new iOS app has got released this week which is not only blazing fast; it has a very sleek design, loaded with curated content, chat messenger and other user-friendly features. Further, the board has approved the proposal to return 220 crores PAT to shareholders via tender of a buyback route. Overall, as a business focus continues on growing usage of our product chasing profitable growth and building on to current grow back level. We shall now open the floor for questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we now begin the Q&A session. If you wish to ask a question, please press “0”, “1” on your telephone keypad and wait for your name to be announced. I repeat, please press “0”, “1” on your telephone keypad and wait for your name to be announced.

Ladies and gentlemen, we open up the first line coming up from Jeffreys. Please go ahead.

Arya: From Jeffreys. Firstly, Abhishek, if you could share the advertising expense for this quarter?

Abhishek Bansal: Arya, our ad expenses for the quarter were about 10 crores. Hello?

Arya: Yeah. Hi. This is Arya from Jeffreys. Did you get the question or do you want me to repeat.

Abhishek Bansal: Yeah, Arya, our ad expenses for the quarter were about 10 crores.

Arya: Okay. And that was lower, right, I mean, what would be the full year, I think, last year you indicated some 65 crores of spend for the full year, right?

Abhishek Bansal: Right. Last full year we had spent about 65 crores. On a full-year basis definitely we would be spending higher than last year. As we have mentioned, 8 to 9% of the top line is what we are looking to spend to promote the products. On a quarterly basis, definitely there can be fluctuations, so in a particularly quarter where we have a mass media campaign coming in or any other large-scale promotional activity this particular number should ideally jump up.

Arya: Understood. Secondly, the sales incentive, sir, is there, you know, is it lumpy in nature, was there a lot of it this particular quarter or is it similar number expected in coming quarters as well?

Abhishek Bansal: See, sales incentive recognition in P&L now would be linked to revenues. So if you see for last couple of quarters, if you include the 2.7 crores for this particular quarter, there was a substantial increase due to higher incentive payout and higher incentives were primarily a result of higher money that was coming in. But now, since Ind AS 115 mandate, sales incentive should be in line with revenue recognition. So whatever incentives are paid, a part of it would get expensed into P&L and the rest would be deferred and would fit our prepaid incentives on the balance sheet. So, from the P&L recognition perspective this standard would bring in more smoothness, so to say.

Arya: Right. So that is well understood. But what I am asking is that will there be more positive impact in the next few quarters as well or is it largely done in the first quarter itself in terms of how you reported?

Abhishek Bansal: See, it will depend on if I get, say, this particular quarter we had, say, around 211 crores as top line if collections actually increase substantially, then there will be this particular delta of positive impact. But in case there is such particular delta coming in, that would primarily be due to higher collections which obviously is positive for the long run.

Arya: And is it fair to assume that these 2.7 crores of impact this quarter, for instance, will get recognized by and large over the next four quarters or is it even longer?

Abhishek Bansal: No. It will get recognized largely over next four quarters.

Arya: Okay. And, lastly, I think in the last call you had mentioned something about, you know, the way you are recognizing the number of paid campaigns. So I believe, now you are looking at unique customers, whereas earlier, customer who enter into multiple campaigns through the year was being recognized separately, so just wanted the sense if that exercise is now completely done and what is the like-for-like, you know, growth in the paid campaign number, you know, if it's possible to share that?

Abhishek Bansal: See, paid campaigns, the 4% year-on-year growth that you see if you were to see in terms of paid listings; that would broadly be couple of percentage points higher. So, unique paid listings corresponding to current campaigns would be broadly about 368,000 or so.

Arya: Okay. Thank you so much.

Abhishek Bansal: Thank you.

Moderator: Ladies and gentlemen, that was Mr. Arya from Jeffreys. We will take the next question which is coming up from Mr. Pranav from Edelweiss. Please go ahead.

Pranav: Hi. Thanks for the opportunity. My question is firstly can you quantify or, you know, at least qualitatively give us any sense of, you know, how the growth is panning out in terms of the geography, I mean, tier-1 versus tier-2 and tier-3, if the growth is panning out there? That's my first question.

Abhishek Bansal: See, in terms of tier-2, tier-3 cities currently they contribute about 44% by campaigns and about 22.5% by revenue, so definitely tier-2, tier-3 cities are growing at a much faster rate and hence we are gaining more share in terms of volumes. But considering the ticket size is lower, tier-1 continues to contribute about 77% to revenues.

Pranav: Okay. My second question is related to the revenue growth profile. We have seen a very strong growth in non-revenues and we have seen improving revenue growth trajectory for quite a few quarters. So, should we expect this improving growth trajectory to sustain and to what level, you know, you think we can go, I mean, can we reach to 15 to 20% kind of a revenue growth number in few quarters from now?

Abhishek Bansal: See, definitely unearned revenue is growing primarily because there is a good amount of money or collections that is coming into the business. On a long-term basis if this particular percentage growth continues in deferred revenue, that implies that similar is the growth rate in collections and obviously if collections are growing at that particular rate over a period of time, that should reflect in to P&L revenue growth as well. So definitely current trend of collections is that of about 20% year-on-year, so there is a good amount of visibility that business can actually achieve revenue recognition as well on similar growth rate.

Pranav: And so should we continue to expect, you know, EBITDA margin improvement given, you know, there is a healthy operating leverage in the business?

Abhishek Bansal: See, on EBITDA margins two factors come into place, first being the advertising spend. So advertising spend this particular quarter if we were to say that was on a lower side and should have been, say, 17-18 crores or so, that would mean that adjusted EBITDA margins would have been around 25-26%. On the other side, the positive side is, there is an inherent operating leverage in the business which is resulting into margin expansion. So, as I see, 25-26% is definitely a sustainable margin plus if revenue growth accelerates in line with what we are expecting, there could be margin expansion as well.

Pranav: Okay. That's it from my side. I will come back in the queue for more questions. Thank you.

Abhishek Bansal: Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, before we move on to the next question I would request the participants to please press "0", "1" to ask a question. That would be "0" and "1". We take the next question which is from H.S. Lakhani from Edelweiss. Please go ahead.

H.S. Lakhani: Yeah. Hi. Thanks for the opportunity. If you could just give me a break-up of paid listings; how much of the business comes from new clients and how much comes from the older clients?

Abhishek Bansal: See, any revenue that is brought in actually gets recognized over a period of four quarters, so it would be difficult to quantify that how much of the revenue actually came in from new clients versus old clients.

H.S. Lakhani: So if I were to say that assume that your four-quarter revenue is certain from one client, just a composition breakup approximately of how much is coming in from new guys were first time, you know, taking the package to the old guys?

V.S.S. Mani: Maybe, next quarter we can give that.

Abhishek Bansal: Yeah. Surely, we will try to work that out that what's the composition of folks who have come in in last four quarters versus folks who had been with us for longer. I unfortunately don't have that composition ready.

H.S. Lakhani: Fair enough. Second is can you tell me how do you come up to this number of unique visitors, if you could just throw colour on that?

Abhishek Bansal: See, unique visitors; this is a composition of users that come across three properties that we have; firstly, the mobile. Within mobile we have the mobile site as well as the mobile app. So whenever a user comes to Just Dial, we drop a cookie on the user's device. So whenever this particular user comes again, we are able to identify that it's the same user that is actually visiting us the second time.

Similar way, uniqueness is identified for our desktop website as well. And thirdly, we have the voice service. In case of voice service, we simply see what is the unique mobile and landline numbers that have actually called us during this particular period. Now, if Abhishek as the user comes to Just Dial on his desktop or a laptop and then later comes through mobile site as well, it is not practically possible for us to identify that it's the same user. So there could be some duplication to that extent. But considering mobile itself, it contributes 74%. That level of duplication would be relatively lower.

H.S. Lakhani: So what you mentioned is quite obvious. My query is that if I have come on to your mobile site and I have come, say, once after five days and once after ten days, am I recorded as a unique visitor just once or three times in the system?

Abhishek Bansal: You are recorded as once.

H.S. Lakhani: Okay.

Abhishek Bansal: So in quarterly unique users that we say within that particular quarter if you visit end number of times, we shall count you once.

H.S. Lakhani: Okay.

Abhishek Bansal: So that's how we actually identify this particular quarterly unique users.

H.S. Lakhani: Okay. And so if I come now again in the next quarter that is you will still count me as a unique visitor in the next quarter?

Abhishek Bansal: Yes. You will still be a new unique visitor for that quarter. At the end of the year if we were to do a calculation of annual unique that means annual unique users you will be counted as one.

H.S. Lakhani: Okay. And currently do we do annual unique visitors?

Abhishek Bansal: No. I would not have that particular text ready. But what I can briefly give you is that this 125 million unique users they actually did about 750 to 800 million searches during that period. So we track two things; how many users are coming and what's the number of searches these users are doing on our platform.

H.S. Lakhani: Okay. That's fair. Just one last question. What do you have to say in light of Google and the competitive intensity that is taking place?

Abhishek Bansal: See, in terms of competition on one hand we can possibly say that there is significant competition from vertical players; on the other hand, it is right to say that there is no direct competition. No single vertical contributes more than 3 to 4% of our revenues. So to that extent, we are extremely well diversified. Over last four to six quarters, as you would have seen, that we have focused on getting our particular product right, making improvement such that number of users increase, user engagement increases, so that continues to be the focus.

H.S. Lakhani: Okay. Thanks. I will come back in the question queue.

Abhishek Bansal: Sure. Thank you.

Moderator: Thank you very much. We take the next question from Mr. Shaolin from UBS.

Shaolin: Hello?

Abhishek Bansal: Hi, Shaolin.

Shaolin: Yeah. Hi, Abhishek. Thanks for the opportunity and congrats on the real good set of numbers. So my first question is, see, regarding your unearned revenue this was pretty strong, so, you know, considering the guidance you guys are giving on the revenue of around 10 to 15% kind of growth, so can you explain what has led to 20% kind of unearned revenue?

Abhishek Bansal: See, growth in unearned revenue is obviously driven by healthy growth in collections. Now, the question becomes that what is driving this particular healthy growth in collection. So, as we have mentioned in the past, two or three factors; firstly, over last four quarters, key challenge in our business possibly started with our particular SME customer saying that, okay, for renewals or for new particular signups they were primarily looking at what's the number of leads that they were getting or tangible enquiries that they were getting. We have spent some four, five quarters first of all educating our sales force and in turn educating these particular SMEs that in this internet era they need to evaluate not just the number of inquiries that they are getting but also visibility that they are getting through various tools that we provide them, like these are the searches that happen for their particular listing on Just Dial.

So, that particular factor is helping us. Say about three quarters back, we used to get some feedback from a sales team saying that this particular xyz client who has been with us for a long term is actually postponing his investment decision with Just Dial owing to GST compliances. But considering GST now obviously is a reality, that particular feedback has sort of come down. So, these SMEs are now coming back into the paid ecosystem.

Secondly, it also had to do with certain internal processes, internal efficiencies that we have brought in which has sort of helped us. So, overall these particular factors combined have helped us get a healthier collection which is what is partly reflecting in improvement growth trajectory and the rest is sitting as unknown revenues.

Shaolin: Effectively, one bit I understand is we are talking about kind of improvement in efficiency/productivity of your sales team. Is it right with my understanding?

Abhishek Bansal: Yes, definitely.

Shaolin: We have been asking the question that you guys have been spending a lot in terms of marketing but we were not seeing tangible growth in the pace. Is it the point where you start seeing some fruits coming out of that?

Abhishek Bansal: Definitely. As we have mentioned earlier as well that first of all user growth has to come in and the monetization growth will come with that because in our case it's an indirect co-relation. Just Dial advertisers, Just Dial gets more users. Over time, SMEs realize they get more visibility by investing in Just Dial. That makes more SMEs come to Just Dial. And that makes the existing SMEs pay more to Just Dial. So, that particular thing is playing out. So, we do also get feedback from our sales team saying that there were customers who had posted their particular campaign for few quarters in between. Now they are willing to come back. So, those particular signs do indicate that business is on an improving trajectory.

Shaolin: Sure, sir. The counter question here is, Abhishek, if I see your user matrix it's pretty strong even in this quarter despite your lower marketing spend. One can argue that there is not necessarily a direct correlation because the time factor can play. But do you think that you need to maintain that 8 to 9% of marketing spend or is there a scope to reduce it?

Abhishek Bansal: See, the thought process is that be prudent in doing advertising spend. So, at every point of time, whatever spends that we do we keep evaluating what is the return that we get in terms of user growth, in terms of user engagement going up. So, it's not that if we are getting 25% with just 5, 6% of revenue being spent on advertising, we would want to stop there. Ideally, we would want to grow our user base as soon as possible. But at the same time we will be conscious that whatever spends that we do, we do get adequate returns on that. This particular quarter or last particular quarter, advertising spend was lower primarily because we were in the process of revamping our mobile site which got released in May, revamping our apps. IOS apps got released one week back. Android app is on its way soon. So, the idea was that once these particular newer versions are released which are much more user-friendly, if we do our advertising after that, that will be more useful.

Shaolin: Okay, great. That's it from my side. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, before we move on to the next question, that will be "0" and "1" to ask a question. Next we have Mr. Akshay from Fidelity. Please go ahead.

Akshay: Hi, guys. Congratulations on the good set of numbers. Abhishek, just wanted to get a sense on when you look at revenue per campaign, that has been trending up and I think you have mentioned in the last couple of calls that you have been getting better renewal rates and mix is impacting this. So, currently, my calculation is revenue per campaign is around 18,800 odds. When you look at your book of unearned revenue, would they have come at a realization on a blended basis which is higher than this or you think this is a level that we should think about or you think it would go higher or lower? That was question one. You answer that, and I will go to the next question after that.

Abhishek Bansal: On revenue per campaign, it is slightly difficult to predict what will be the realization going forward primarily because we adopt two strategies. Firstly, we obviously want that at entry level we want as many SMEs to come into the paid ecosystem as possible. Second, once a particular SME is into the paid ecosystem and is happy with the services, we would want to upgrade that SME to a higher value as much as possible. Now, one question that obviously I get is that what's the pricing or realization to go up. One point that I want to clarify, see, in our particular business, realization is not that if it is going up I'm charging higher price for the same product. Like in a typical FMCG company, you might argue that for a particular product pricing will have a limited headroom. But in our case, what I tell a particular SME is, if you are investing Rs. 1000/- with me, why don't you invest Rs. 1,100/- and corresponding to Rs. 1,100/- you will get a proportionately higher visibility. Not only that. If you were to add a banner or a rating certificate or any other such add-on product which otherwise if you were to buy on a standalone basis would cost you X but if you add it today itself, you will get it at 20% discount. So, the realization per customer increases if in line with additional services that I provide to this particular customer. Since it is a digital product, it doesn't actually cost me to provide those particular additional services. So, yes, there is headroom for realization growth, but for the full year obviously we would be happy to see both realization growth and campaign growth to be key drivers for overall revenue growth.

Akshay: Okay. Then in terms of campaign because if you keep the current run rate of realization that you get to around 6, 7% growth in revenue per campaign, so if you have to get to your mid-teen sort of a growth number even at back half. You are looking at campaign growth being close to double digit. How realistic is that based on what you are seeing in the unearned revenue?

Abhishek Bansal: For the full year for mid-teens, if say 6, 7% comes out of campaign growth, another 6, 7, 8% comes out of pricing, both seem to be practically possible. This quarter, like 7% due to realization and 4% due to campaign. So, difficult to say what is the embedded realization in the deferred revenue because deferred revenue obviously covers only part of the revenue that will be recognized. There is a major chunk of revenue that is yet to come in future. So, at what realization I get that particular revenue, that will determine the mix between campaign and pricing in subsequent quarters.

Akshay: Okay. Thanks. I will come back for another round of question later. Thank you.

Moderator: Thank you very much, sir. We have the next question coming up from Mr. Ashwin.

Ashwin: Hi, congrats for the good set of numbers. I have one question in terms of sales force addition. We have had close to 600 people being added to feet-on-street and Telemarketing. In the past, we have been largely squeezing efficiencies from our sales force. Would you think there is further room in terms of squeezing efficiency from the existing sales force or now we are at a stage where we will possibly have to start to continue to add the incremental sales people?

Abhishek Bansal: See, in terms of squeezing efficiencies, that's an ongoing process. Even currently, I would say that productivity can be enhanced further. Now productivity being enhanced also has two components. One, if I take certain price hike or I launch some bundled products, that itself could lead to productivity gain for that particular employee. Second, that employee itself is able to sell a higher value or more number of contacts that can give improvement. So, last four quarters, we have put in systems and processes in place to ensure that we don't hire blindly, but we ensure that productivity levels are maintained. We have recently expanded aggressively in our feet-on-street cold-calling team since that particular team has been growing at a very healthy rate. But at the same time, we would remain conscious that productivity levels should remain intact.

Ashwin: And in terms of the followup, we have leveraged our employee cost materially. We are closer to almost 53% of sales. So, is there a range in terms of where you want to kind of maintain your employee cost as a percentage of sales assuming double-digit kind of growth continues?

Abhishek Bansal: During our good old days say about three, four years back, we used to be at about 50% of revenue being the employee cost. Right? Ideally, we would want that this particular 53% also overtime should go down further. But it's not a specific percentage that we target. For example, in case we are able to launch certain alternate revenues, for example over the next few years if we are able to increase the online contribution such that customers themselves sign up, this particular employee cost can go down. Or if you launch a reseller programme where we have resellers selling Just Dial product purely on a commission basis, that can bring that down. So, the idea is to ensure that whatever additional sales resources are being hired, we extract optimal productivity out of them. And if we are keeping good control over cost and maintaining productivity, this employee cost as a percentage of revenue, that will automatically fall in place.

Ashwin: Okay, fair enough. I will come up for follow-up later.

Moderator: Thank you very much, sir. Ladies and gentlemen, for questions, you may please press "0" "1". We take the next question which is coming up from Rakhi Prasad from Elder Capital. Please go ahead.

Rakhi Prasad: I have a couple of questions. One was on the other income part. As we understand there was a mark-to-market loss on your tax-free bond in the portfolio. Could you give us a sense in terms of how much of our investment portfolio would be in this tax-free bond and would it be impacted as it is tightened?

Abhishek Bansal: That overall investment in tax-free bond should be in the range of about 303 crores on cost-basis, and at Fair value about 312 crores or so. So, this particular tax-free bonds we have invested three, four years back when bond yields were quite high. So, we get 8 to 8.5% tax-free on this particular bond. And they have maturities of another about 15 to 20 years left. So, considering accounting requires them to be mark-to-market, there tends to be MTM gains or losses whenever bond swings either ways. But over a longer term period, I think portfolio will actually deliver returns in line with the market.

Secondly, considering bond yields went up substantially during the last couple of quarters, that also gave us a good opportunity to deploy incremental funds at higher use of 7.7 to 8.3% which we have been able lock in for the next three to four years. So, in case this remains at current level or softens a bit, you would see other income benefitting significantly in the coming quarters.

Rakhi Prasad: Okay. Thanks. Also, just following up on that employee question from the earlier participant, we did see a substantial increase in this quarter in the number of employees. Do we see this trend going forward or are we going to be more prudent in terms of the number of employees for the full year?

Abhishek Bansal: If you see the feet-on-street cold-calling team which is the team where we have always wanted to expand, so the last couple of quarters we have done significant addition there. As I mentioned, at the same time, we are being conscious that the new batches which have joined should actually achieve their threshold productivity level as soon as possible. Once that happens, then obviously hiring can accelerate further. This particular feet-on-street cold-calling team is the one which we would want to expand over the next four to six quarters. But whether it would happen over the next one or two quarters is a bit difficult to say.

Rakhi Prasad: Okay. And besides employees and ad expense, do we see further leverage in the operating expense going forward?

Abhishek Bansal: See, other operating expenses excluding advertising, they have already been optimized significantly. So, if you see over the last four to six quarters, there has been a significant decline in fact in those expenses. Going forward, I would presume that a bulk of the optimization is done. So, these expenses should grow in line with inflation trends also.

Rakhi Prasad: Alright. Thank you for that.

Moderator: Thank you very much. We take the next question which is coming up from Vijit Jain from Citi Bank. Please go ahead.

Vijit Jain: Sorry, I missed the first couple of minutes of the call. Could you talk a little again about those sales incentives that you were talking about? And I heard a number 2.7 crores, I didn't get the context of it.

Abhishek Bansal: As I mentioned during the beginning of the call that this particular quarter onward, we have transitioned to new accounting standard Ind AS 115. Ind AS 115 mandates that whatever cost that is incurred with your revenue acquisition, they should be expensed in line with revenue recognition. So, suppose I pick up a contract of Rs. 1 lakh and say 10% of that is paid as incentive, earlier the entire Rs. 10,000/- was expensed in the quarter and we were paying out that incentive. Now Ind AS 115 recognizes that if this Rs. 1 lakh is getting accrued over the next four quarters, your incentive should also get accrued over the next four quarters. So, whatever incentive that gets recognized in P&L obviously comes as part of employee cost. Rest would fit as prepaid incentives on the balance sheet and would come in the next quarter. For this quarter, this particular Ind AS 115 application resulted in incentive cost in P&L being lowered by about 2.7 crores.

Vijit Jain: I see. Okay. That answers my question. Thank you.

Moderator: Thank you very much, sir. We take the next question which is a follow-up from Akshay from Fidelity. Please go ahead.

Akshay: The question got answered. But just to clarify on the other income part, I got the point conceptually that it's going up to mark-to-market losses. But if you look at it for the full year basis, does the heat remain through the year? Basically, going forward, do you have a steady other income now on whatever your cash balance is? Just assume 7, 8% on that. Is that the right way to look at it?

Abhishek Bansal: See, June end, it closed at about 7.9% and March end it was about 7.4%. If this 7.9% stays at this level, then I think there should be steady other income. But, if this 7.9% were to go to 8.5%, then there could be an impact on other income. But again, in our case, considering the business generates healthy free operating cash flow every month, these higher yields are our opportunity for us to deploy incremental cash flows at those yield. Currently, it is at about 7.8. So, so far, for this particular quarter, already other income is at healthier levels.

Akshay: Okay. Got it. Thanks.

Moderator: Thank you very much. The next question comes from Mr. Vivekanand.

Vivekanand: Hi, this is Vivekanand from Ambit. Two questions. One, can you help us understand how your traffic grew so sharply despite the ad campaign being very, very moderate? Secondly, can you update us on the plans of acquiring new technologies and any specific areas that you are looking to address for future growth? Thanks.

Abhishek Bansal: Firstly, on the traffic, see, June quarter tends to be sequentially stronger quarter for us. So, that is what actually played out in this particular quarter as well. This also coincided with launch of our new mobile site which is now extremely fast. As I mentioned, the page load time has been cut by 40%. So, if you go to our new mobile site and navigate through some of the searches, you will find that the experience is much faster. What that results is users who are actually coming to our particular mobile site earlier but due to slower internet connectivity, they were dropping off. They were not getting captured as traffic. So, now that particular user gets recognized as a user. So, that sort of helps in absence of substantial ad spend during this particular quarter.

Secondly, on your question on plans for new technology, most of the technology that we use so far is in-house technology. So, we have 250-300 members strong tech team which actually does all these particular implementations. In order to reduce time to market, we do look out for certain opportunities for example the real-time chat messenger that we recently launched. So, in case there are any technologies which could help us reduce time to market, we could look out for that. But, by and large, as we have seen both in terms of time to market as well as cost efficiency, we have found that working in-house has worked well for us so far.

Vivekanand: All right. Thanks a lot. I have a couple of other questions. If time permits, can I ask now?

Abhishek Bansal: Sure, please go ahead.

Vivekanand: You speak a lot about the bouquet of services that you are able to up sell. So, is there a matrix like the number of products that you sell to your SMEs or how should we see this up selling effort of yours resulting in improving realizations?

Abhishek Bansal: See, in terms of bouquet of products, we have like the core product obviously is the premium and non-premium listings. Then there are certain additional products that we sell such as banner. So, all these particular products add up and we have various packages that we form for SMEs. So, these are the key... All of our products obviously are digital in nature. So, essentially, we try to provide SMEs as much visibility as possible.

Vivekanand: Sure. My last question is on one specific other expense which you disclose annually which is data base and content charges. Can you help us understand how this has moved in FY18 and progressively in Q1 also?

Abhishek Bansal: Database and content charges for this particular quarter, as I see, was only about, I think, 24 lakhs. So, it wasn't that high for this particular quarter.

Vivekanand: And this cost has come down very meaningfully over the last six to eight quarters.

Abhishek Bansal: Last year same quarter cost was about 38 lakhs and automation has helped us bring down this cost. But as you would see, this particular cost is only about 25 to 35 lakhs a quarter. That's not that high. In database, we have taken certain initiatives which have definitely helped us reduce employee cost for this particular department. So, till about five, six quarters back, we had about 440 odd employees in database, but today we have about 390 employees which are curating and adding much more data versus four quarters back. So, automation has indeed helped us bring down overall cost for database so to say.

Vivekanand: Right. Thanks a lot, and all the best.

Moderator: Thank you very much, sir. Next in line we have Mr. Ashwin. Please go ahead, sir.

Ashwin: Abhishek, just one question. In terms of the bundling of products, what proportion of our client base would we be selling the multiple products? Is there something like an index in terms of out of the four or five products that you sell, what proportion would you already have targeted versus what is remaining?

Abhishek Bansal: See, difficult to look at it that way because it's not that the bundled products on a standalone basis were not being sold earlier. Just that we have now created offerings which are higher value for money for these particular SMEs. So, earlier an SME would say that they would take an entry level non-premium listing and maybe we would approach that particular SME after a period of six months for this particular add-on product. Today, we can still approach after six months, but we do weigh the option at the beginning itself whether the SME wants to opt for this listing. So, some of those particular SMEs do end up opting for such particular bundled offerings.

Ashwin: Okay. We had earlier taken entry level price hike. So, in terms of the realization improvement, how much of it is bundling of products versus there would have been a like-to-like pricing increase that we might have taken.

Abhishek Bansal: See, honestly, very difficult to quantify because, if you see, ideally realization should be on downward trajectory considering the share of tier 2, tier 3 is growing. Right? But this particular realization that you see is actually a blended mix of all different types of campaigns and geographical split that we have. So, in order to quantify that how much is it coming due to entry level price hike versus bundled products, I think it would be a bit difficult.

Ashwin: Okay, fair enough. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, that will be "0" "1" to ask a question. Next in line we have Nitin from HDFC Mutual Funds. Please go ahead.

Nitin: You mentioned that over time the growth rate in revenue and run rate revenue and the growth that we report in our actual revenues should converge. It has been a couple of quarters since you will be having very high growth in deferred revenues. Is that convergence of four quarters phenomenon or you think the way we have sold it will take longer than four quarters for the concretes to converge?

Abhishek Bansal: This particular deferred revenue that you see is actually an outcome of the money that we collect, less money that we consume. The growth rate that you see, out of that about a bulk of let's say 92% should get recognized over the next four quarters itself. So, this particular convergence or I would say that revenue growth should ideally start inching towards deferred revenue growth rate over the next... quarter-on-quarter, it should start going towards that.

Nitin: Okay. So far we have seen in the reported revenue is now lagging the deferred revenue quite meaningfully. That's why the question.

Abhishek Bansal: The key reason for that is the acceleration in deferred revenue started primarily like March quarter end. So, March tends to be a very healthier month for us, followed by this particular June quarter. Whatever money that we collect, in most of the cases that gets recognized over a period of 12 months. So, there is a part of revenue which is getting recognized right now which came out of collections that happened say two or three quarters back when collection growth was not that strong. So, it will take a slight bit of time for revenue growth to catch up, but, yes, it should happen if collection trends continue to remain healthy as they are.

Nitin: Okay. Do you want to earmark certain cost over and above branding for any new initiatives or as of now you don't really have any plans to do that?

Abhishek Bansal: See, in terms of any incremental spend, there could be some spends that could be made on that front to augment our capacity considering traffic trends are very healthy, etc. Second obviously would be on promoting the product. So, those are the only two areas that I see. I don't think there should be any other cost that should come in apart from these.

Ashwin: Okay, great. That's it from my side. Thank you.

Moderator: Thank you very much. The next in line we have Raghav Mittal from Locust Investments. Please go ahead.

Raghav Mittal: It's been answered. Thank you. All the best.

Moderator: Thank you very much, sir. Ladies and gentlemen, that will be "0" "1" to ask a question. Next in line Mr. Suresh who is an individual investor. Please go ahead.

Suresh: Thank you for the opportunity. I have a broad question. Over the next three years, how do you see the business evolving? There is a lot of competition coming from all the big firms like Google, Facebook, etc. And there is a lot of technology also coming like AI and machine learning. So, in this context, how do you see the business evolving over the next three years?

V.S.S. Mani: So far we have seen that with growth in internet, we are benefitted a lot, and improvement and enhancement in our product has benefited even further. You must check out our new IOS app and you get a fair idea in what direction we are moving. Our goal is to have users engaged with us on a more regular basis than what it is till today. So, the new IOS app will give you a flavour of that, and that will be the kind of strategy going forward. There is enough room and scope for multiple players. And Just Dial being purely a local search engine can curate content and make it much more customized than others who have kind of an identity as a generic destination or a social destination. So, we are pretty confident that with our quality of product improving, our users are going to use more and more, and not just that they are going to use it more often.

And as far as AI and other things are concerned, we have integrated it very well in our new products. You can use our voice search feature which has a lot of AI in it, and we are also at some point in time will have our own version of a home-based kind of a gadget where you can speak and you can get information on demand. We are constantly in touch with technology and bringing in this constant improvement.

Suresh: Thank you. One particular question. Say if you take a particular category like restaurant, how have the number of users using that particular category over the years say last three years when vertical players like Zomato or Swiggy have come up? So, what kind of trend have you seen in terms of usage of Just Dial vis-a-vis these vertical apps?

V.S.S. Mani: Searches for restaurants have grown. Searches for not only restaurants have grown, the number of restaurants paying us money also grows. The market is so huge that a specific vertical player would maybe cater to a very crème de la crème segment. But large population of Indian masses are not that lifestyle oriented. Therefore, for them the frequency of a restaurant look-up is much less. For them, they are settled with Just Dial and they are pretty happy with it.

In addition to this, the gap between the vertical products and Just Dial you see narrow over a period. It's already narrow quite a bit, and now as you move forward, there will be hardly a difference between vertical and a local search engine like us. So, at some point, the users want to kind of converge and use one platform to do multiple things and that's what we see happening. As I said, the market is so large. There is enough scope for everybody to play. And the users in the future are going to simplify things for themselves and use a product which converges many services in one place.

Plus, we also see verticals as complementary. We do send a lot of traffic to these verticals also when they are specifically good in a certain area. For example, restaurant or food delivery. We are not doing any more of our own initiatives. We are actually sending it to the best of the best whether it's Swiggy or any other player in the market. We are trying to send the traffic to them because users' experience is paramount interest to us, not like obsessively trying to own every piece of business. We want to be the go-to-destination to find things particularly which are local, which are product services, which are city specific and the fulfilment can be done by the vendors or could be done by an intermediary who could be a specialist vertical.

Suresh: Okay. Do we charge them for giving the leads?

V.S.S. Mani: All that is a secondary thing for us. Right now, we focus on user experience. And when we have to charge, whether we have to charge, all that will be decided later. You must download our IOS app and we will appreciate if you all can give us feedback to us. You can share your experience, your suggestions to us.

Suresh: Sure. Just one last question.

Moderator: Mr. Suresh, sorry to interrupt you. We have participants waiting in the queue. You may press "0" "1" to come back as a follow-up. We take the next question which is coming up from Mr. Rajesh from Credit Suisse. Please go ahead.

Rajesh: Congratulations on the good set of numbers. I wanted to understand what's the Just Dial view on forming partnerships, and how do you see Jio which has sort of accelerated the number of internet users in India and clearly that's been growing at a fairly rapid pace? Do you see a partnership with someone like Jio or getting the Just Dial app on a Jio phone as a possible area of growth in the future?

V.S.S. Mani: We are always open to any kind of collaborative effort, and we have been talking to some operators already. We would see as it moves forward. That has to be a win-win kind of a collaboration. So, when such kind of an opportunity arises, we will definitely grab that. Obviously getting easy traffic by way of such type of distribution is definitely a smarter way and must way to do.

Rajesh: Thank you.

Moderator: Thank you very much, sir. At this point of time, I would like to turn the programme back to you, speakers, for final remarks.

Abhishek Bansal: Thank you, everyone, for joining us. As I mentioned earlier, last two quarters have laid a strong foundation for coming years for us. The business did go through certain challenges which were partly internal partly due to changing ecosystem. However, we have been successful in pulling it back on the right track. Focus continues on building on current growth level both in topline and bottom-line.

In case you have any further queries, do reach out to us. We would do our best to address. Apart from that, any feedback that you have on our new mobile site, new app, that will be very helpful to get. That's it from our side. Thank you.

Moderator: Thank you, speakers. Thank you, participants. That does conclude the conference for today. Thank you for your participation. You may all disconnect now. Thank you and have a great evening ahead.