“Just Dial Limited (JUST IN) 2QFY19 Earnings Call”

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

Moderator: A very good evening. I am Sourodip, your coordinator for this session. Thank you for standing by and welcome to Just Dial 2QFY19 earnings conference call. At this time, all participants' line will be in the listen-only mode and post that we will open it for a Q&A session. I would like to now handover the proceedings to our first panel member for today, Mr. Rashid Parikh. Thank you and over to you, sir.

Rashid Parikh: Thanks, Sourodip. Good evening, everyone. On behalf of Nomura, I would like to welcome you all to this second quarter of FY19 earnings call for Just Dial. We have with us the Founder and CEO of Just Dial Mr. V.S.S. Mani; and also the CFO, Mr. Abhishek Bansal. So, without further delay, let me hand it over to the management. Over to you guys, sirs.

Abhishek Bansal: Hi, everyone. Welcome to Just Dial's earnings call for second quarter of FY19. We will quickly go through financial and operational highlights for the quarter. Operating revenue stood at 221 crores, which grew 13.7% year-on-year, operating EBITDA stood at a healthy 57.5 crores witnessing strong 45% year-on-year growth. Adjusted operating EBITDA margin excluding ESOP expenses stood at 28.6% for the quarter. Now, coming to EBIT margins, which we think is a better indicator of our gross profitability considering incrementally part of our capex is becoming opex in nature. EBIT margins stood at 22.2% for the quarter versus 15.6% during the same quarter last year.

Net profit for the quarter was 48.4 crores, which grew about 29% year-on-year. Cash and investment stood at 1,360 crores approximately as on September end, which was an increase of 158 crores during the first half of this fiscal year.

Coming to operating highlights, it is extremely encouraging that we have crossed 100 million users on our mobile platform itself. Mobile traffic is growing at a healthy 45 to 50% year-on-year. Overall, including all platforms, despite a high base of 105 million quarterly unique users, we were able to grow at 25% year-on-year to 131 million users. On our database, we added another 1 million listings and now we have approximately 24 million active listings in our database, which was 20% year-on-year increase. About 52% of the database is geo-coded and we have over 50 million images in our dababase.

Coming to paid campaigns, paid campaigns at the end of the quarter stood at approximately 471,000, addition of net 17,700 campaigns during the quarter, which was highest in the last eight quarters. As we have mentioned in the past, we expect overall revenue growth this year to partly materialize from volume growth and partly due to realizations. The same is panning out. Overall, I think it was a stellar or a balanced quarter for us from all standpoints. Revenue growth was highest in last 12 to 13 quarters. Strong user growth continued. Healthy margins on the back of efficiencies that we have brought over last 4-5 quarters.

Overall, half of this fiscal has been fairly strong. As we have mentioned earlier, we wanted to increase our feet-on-street cold calling team. In sales, four quarters back, we were at about 2,200 strength in that team. And now, in that particular team, we have grown to 3,300 plus members. We have been able to swiftly add people without compromising on productivity, which is now also resulting in good uptake in paid campaigns. As a business, focus continues on getting more users to our product, which is undergoing continuous improvement; getting users to engage more, building onto current growth rate and at the same time maintaining healthy profitability. On the buyback which is in progress, certain statutory approvals are in progress and buyback should be concluded sometime in December or so. We shall now open the floor for questions. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, with this we open it for Q&A interactive session. Should you wish to ask any question, you may press "0", then "1" on your telephone keypad and wait for your name to be announced.

We have the first question from Neeket Shah from Motilal Oswal. The line is unmuted. Please go ahead and ask your question.

Neeket Shah: Thanks so much for the opportunity and congratulations on the good set of numbers. I have two questions. First is on these 17,700 campaigns, which have got added in this quarter. Could you tell me the duration of these campaigns?

Abhishek Bansal: See, largely, we sell typically one-year contracts. So broadly, for the bulk of the population, tenure would be around one year.

Neeket Shah: And how much would be our deferred revenues in this quarter versus the previous quarter?

Abhishek Bansal: This quarter we ended with about 375 crores of deferred revenue, which was around 35% year-on-year growth.

Neeket Shah: On a sequential basis, this would be flat, right?

Abhishek Bansal: Last quarter, we ended at about 371 crores.

Neeket Shah: That's right. I'm trying to understand that if on a q-o-q basis the campaign growth is about 4%, shouldn't it be a similar kind of a growth in the deferred revenue part of it because that is a lead indicator as such?

Abhishek Bansal: No. See, these particular numbers are best seen on a year-on-year basis. For example, if you see, second quarter sequentially has a deepened unearned revenue. So, this particular matrix is best looked at on a year-on-year basis.

Neeket Shah: But, actually, if you add about 17,000 campaigns in this year and if they have a duration of one year, if taken on 3-month revenue in the P&L, balance 9 months would actually add up to the accrual number.

V.S.S. Mani: Don't count on the first day of the month.

Abhishek Bansal: The active paid campaign that we report, they are active as on month end. So, this particular campaign would have come during that particular quarter and from the day that particular campaign got activated, commensurate revenue would have taken place.

Neeket Shah: Okay. Maybe I will take that offline. Thanks so much and best of luck, sir.

Moderator: Thank you very much. Moving to the next question, we have the next question from Mr. Vaisal Sarkar from Unified Capital. The line is unmuted.

Vaisal Sarkar: You are coming from the pricing scenario. Over the last three to four quarters, I think there has been rather gimmick and we really don't see the benefit of operating leverage flowing down. I am just trying to understand are you facing any elements... what is the pricing scenario looking like?

Abhishek Bansal: On the pricing scenario, as we have mentioned earlier that inherently there should be a downward pressure in our realization considering the share of tier 2, tier 3 cities is going up. Tier 2, tier 3 cities today contribute broadly 45% by volume and about 24-

25% by revenues. But, considering last year, say four quarters back, we took certain price hikes at entry level, and we have been selling certain bundled products. So, that has helped us grow our realization on a year-on-year basis by about 6, 6.5%.

Baisal Sarkar: Okay. And, you know, just to prolong the case in question, you know, if you can help to reconcile again the lack of follow-through in your advances vis-a-vis active paid campaigns. I understand you might have taken 25% of that billing in Q2. But, even then just from that 4% growth in campaign, I mean, that's at least 40% advances. I am unable to reconcile the difference. And, you know, your ARPU hasn't fallen either. So, what am I missing?

Abhishek Bansal: In our particular case, customers have option to pay us in monthly payment plan or upfront payment plan. In upfront payment plans, we get the full advance. So, the mix can actually result into difference in that particular deferred revenue.

Baisal Sarkar: Okay. That is clear. Could you have the number between upfront and monthly?

Abhishek Bansal: Roughly, it is around 65% upfront and 35% monthly payment plan.

Baisal Sarkar: And does the monthly payment plan have a premium for the upfront plan?

Abhishek Bansal: Yes. If you actually pay upfront, then you get a certain discount because you are actually paying upfront.

Baisal Sarkar: Okay. So obviously, given the quantum of your advances, I think our guidance for 2019 is more or less in the bag. So, typically, how do you really begin to plan your sales strategy? How does it work? I noticed that you have increased your sales force over the last couple of quarters. And you did mention in your opening remarks that last part of your capex is not opex. And if you could just help me understand how you are looking at sales growth in FY20, and as things stand today, what would be your moderate volume growth number that you might target?

Abhishek Bansal: See, in case of our sales planning, as we mentioned earlier, last about four, five quarters, we spent time in consolidating or bringing in efficiency. We were very clear that we don't want to continue going on a hiring spree by compromising on productivity. We wanted to make sure that the marginal productivity of every new incoming employee should ideally be similar to my current sales force. Once we achieved that, then we went on to add employees. So, the last two, three quarters where we have seen a good amount of addition to feet-on-street, part of those particular benefits are already coming up. Once these particular employees become tenured, they should be adding more to our revenue pool as well. So, the planning is a mix of geographies we should expand. In current geographies, what is the number of employees we should have in order to optimize revenue for sales employee, revenue for customer? On the product side, what should be the optimal price increases if any on premium versus non-premium? Should we launch any sort of bundled products that can demonstrate better to our customer? So, all those factors together contribute into optimizing that particular revenue.

Baisal Sarkar: Okay. I understand. So, how does it really work? For instance, if I go back a couple of quarters, is it fair to say that you only add aggressively if you maximise after your existing payroll or are you adding this because you are deepening your presence in the non top listing? I am just trying to understand the rationale behind the steps of your ramp up here.

Abhishek Bansal: The ramp up is both in tier 1 cities as well as tier 2 and tier 3 cities. We are finding that even in tier 1 cities, our particular feet-on-street team is getting us much better revenue growth from same set of customers versus the erstwhile telemarketing team. The key reason here is that product has become more of a 'show and tell' product. Many of us hardly take incoming marketing calls. So, when a particular person actually goes to a SME, demonstrates the product, shows that how your particular listing shall show up, what are the benefits you can get, so the same geography where telemarketing growth is lower, this feet-on-street growth rate is coming out to be better. So, the addition is not just in tier 2 and tier 3 cities. It is in tier 1 cities as well subject to managerial bandwidth being available.

Baisal Sarkar: That's clear. Last question before I get back in queue, your active paid campaigns for H1 this year was roughly 10%. So, assuming a large part of that would translate into revenues next year, is it too early for you to give us a sense of how FY20 revenue might look like?

Abhishek Bansal: See, as we commence the year with a thought process that mid-teen is what we are targeting for this particular year. We are almost there. We would want to exit FY19 at a much better run rate and then build on to those particular growth rates in FY20. Last four to six quarters, we have done optimizations. On the sales side, we have brought in those particular productivity level matrix. For example, a particular branch if they cross a particular threshold of productivity, they are free to hire the next batch of employees. So, all those fundamentals are being addressed, and I think with the kind of trend or run rate that we are seeing, FY20 should definitely be much better than the growth rate that we are witnessing now.

Baisal Sarkar: Is it fair to assume that several margins are concerned assuming you will reinvest back in the business?

Abhishek Bansal: Our particular business's gross margin, which is revenue less direct sales cost, which is salaries and incentives that we pay to our sales employees; it is a healthy 64% gross margin. So, for other overheads, they will probably increase only with inflation or we would try to optimize on them as well. So, inherently there is a good amount of operating leverage that is there in the system. We are currently at only about first half 29% adjusted EBITDA margin. So, with revenue growth accelerating, there is a fair chance that margins could see further expansion as well. The clear indication is that since the time we have gone up from 7% growth to 13.7% growth, there is a fair margin expansion from say 15% levels to 25% plus levels. Part of it obviously has come through cost optimization but part of it is also due to revenue-led operating leverage.

Baisal Sarkar: If I can just squeeze in one last question? I understand that buyback has been a regular source of your capital return strategy to stakeholders. Given the quantum of cash that is building up and the lack of visibility in terms of any strategic use for that, don't you think that it'd be better to take a tax impact on this return of that bulk of money once for all to improve your return ratios? What's your thought?

Abhishek Bansal: More than optimizing on the return ratios, the thought process is that whatever maximum amount of capital we could return back to shareholders, between two buybacks there is a gap of say one year, so we did almost full 25% of paid-up capital plus we reserve for our large buyback which will get concluded. So, as of now, we would want to take this route till the time it is tax efficient.

Moderator: Thank you very much. Before we move on to further questions, I would like to repeat, participants, should you wish to ask any question, please press "0" then "1" on your telephone keypad. Also, we request the investors to kindly keep two questions at a time and come back later in the queue for further follow-up questions. We have the next question from Mr. Pranav from Edelweiss. The line is unmuted. Please go ahead.

Pranav: Thanks for the opportunity. My first question is at the start of the call you talked about incrementally capex is becoming opex. Can you just elaborate as to what exactly you mean for that with an example or anything like that?

Abhishek Bansal: Till about three years back, we had to add say the servers or storages to augment our tech capacity. We typically used to buy such particular hardware and have that particular assets on our books. But incrementally a lot of subscription based services are available. For example, Amazon AWS, cloud hosted solutions are available. So, we don't really need to buy those servers on our books. We can actually take them on a subscription or a lease basis. So, all those costs directly get expense in the P&L whereas earlier if you were buying those particular servers, they were hitting P&L in the form of depreciation. That is why if you would see, depreciation which was upwards of 5% of topline at one point of time, is now about 3.8%, 3.9% or so. That is why I said, that more than EBITDA margin EBIT margin would be a slightly better indicator to look at for gross profitability.

Pranav: Okay. That's very helpful. My second question is are you looking at any inorganic acquisition or how JustDial is investing for making itself future-ready in terms of...

Abhishek Bansal: In terms of future readiness etc, we realize that we are a horizontal player. We know how to run this particular business on a horizontal manner. To that extent, we did look at several opportunities that came along our way in the last two, three years. But, none of them seemed to have synergy with a horizontal player like us. Even in terms of valuation, nothing was available at the kind of valuation that we would have ideally wanted to look at. So, we would rather spend money into building good technologies on the product side etc. Inorganic opportunities seem unlikely at this point of time.

Pranav: Any particular area where you are investing inorganically, any particular analytics, anything...?

Abhishek Bansal: A lot of effort is going into product & technology. If you see that we have recently, yesterday itself, released the latest version of Android app. Today our Android, iOS and mobile site are almost replica of each other. Several new features are being added. We are working towards bringing our particular products in vernacular languages as well. So, a lot of work is being done in order to render customized content to users to assist their particular searches, predictive searches, etc. So, all these are the key areas where technologically focus is being done.

Moderator: Thank you very much. Moving to the next question, we have Mr. Rajesh Kataria from Credit Suisse. Your line is unmuted. Please go ahead.

Rajesh Kataria: Thank you for this opportunity. My question is to Mr. Mani, CEO. In the last call, you have spoken about a possible partnership with a telco like Jio. I was just wondering if you have been able to make progress on that front or any other partnership that you sort of are thinking actively.

VSS Mani: Can you just jolt my memory a bit please?

Rajesh Kataria: Last quarter, you had spoken about how a partnership with a telco, possibly getting onto the Jio phone as a default app might be a good strategy for JustDial. My question was, if that's something that you envisage in the future and you had said that you were thinking about it.

VSS Mani: We did try with putting JustDial as the default app in several phones, but the usage from such activity is very low. As you may be aware that there are several apps that are on your phone and you wouldn't have ever clicked on it. So, you're just spending money on something which is not giving the return. It's better to get really useful traffic which leads a call to our advertisers. So, we have been focusing on that. And with these kind of deals, the top premium brands are not so keen in getting all kinds of apps on their phones. There are others who actually have it as revenue stream in order to get apps bundled with their phone, and those are not very effective.

Pranav: How about a player like UFO Moviez? Is there a possible partnership or do you think about them or no?

VSS Mani: We do advertise on UFO Moviez, all those multiplexes. We do advertise though them.

Abhishek Bansal: UFO Moviez has a good set of single screens and certain multiplexes especially in South. We did advertisement with them for a period of one year. Right now we are advertising mostly with top multiplexes chain. But multiplex continues to be an important area for advertising for us. So, we would look at maybe UFO from time to time.

Pranav: What I meant was UFO speaks about making inroads into personalized advertising. So, they are trying to sort of move outside of the cinema model. I was just wondering if that is the player where they could partner with you and you could sort of do things together.

VSS Mani: There are many long-hanging fruits that you have to look at and getting into something ideating new stuff. Let those be proven and then we get into some opportunities there. There are only 400,000 people advertising with us with 24 million listings out there. So, there is much more to be achieved there. As you know, 99% of our revenues come from small and medium enterprises as of now.

Pranav: Thank you. One last idea. Google invested in this company called Halli Labs in Bangalore that does a lot of vernacular content. I don't know if you are aware of them but maybe that's something that you could look at.

VSS Mani: In terms of content, what kind of content you are referring to? As far as business listings are concerned, serving them in any vernacular language should not be a problem for us. As far as other content is concerned, as you can see in the next Android app, you see new content like news, social and stuff like that. That is actually localized, and if you are in a particular city down South, you would see a lot of local content in news. You can even select options like languages and the best of the best content providers are there.

Pranav: Voice search in vernacular languages?

VSS Mani: Yes. Right now, we do have voice search, which pretty much does a good job in terms of urban India, which could be a mix of local language and English. But then, we are also working on many others, like how to address certain kind of pure local languages. That effort is there and you see that happening. We are in touch with certain companies who are specialists in that.

Moderator: Thank you very much. We have the next question from Mr. Vijeet Jain from Citi Bank. The line is unmuted. Please go ahead.

Vijeet Jain: I think I heard you say in the television interview today about the advertising expenses. They were about 21 crores in the first half. Is that right? Could you tell us your full-year advertising spend?

Abhishek Bansal: In the first half, we had about 21 crores ad spend which was approximately 11 crores in the second quarter and 9.5 to 10 crores in the first quarter. For the full-year, as we have mentioned in the past that we are comfortable up to 8 to 9% of our revenues. But this particular quarter, we commenced a particular mass media advertising campaign. So, advertising spend in this quarter obviously would be much higher. But broadly on advertising, the thought process is that at every point of time, we would continue to optimize which medium gives us the best value for money, which medium helps us reach to our target audience. Advertising is something, that there is a good possibility that if you don't monitor it well, you might end up spending 60, 70 crores but you might not get commensurate return. So, we are not particularly focussed that quarterly target should be 15 crores, 18 crores. It will be on specific merit basis for whatever return that we get on respective spends.

Pranav: I have a follow-up question. Apart from advertising expenses, in the first half I guess your other operating expenses have been quite controlled. There is a meaningful decline y-o-y. So, I'm just curious if that is something we will see in the second half as well. These cost control measures, will they persist through on the non-advertising spend side?

Abhishek Bansal: On the non-advertising other expenses, you are right. Over the last four to six quarters, we have drastically optimized on those particular spends. Recurring optimization will continue to be there. So, current levels of those non-ad other expenses are percentage of revenue. That proportion should get maintained. That is what I think we should do.

Moderator: Thank you very much. We have the next question from Mr. Ravi Menon from Elara Securities. The line is unmuted.

Ravi Menon: Thank you for the opportunity and congrats on the good quarter. You said on the proportion between tier 1, tier 2, tier 3. How was break-up between metros and non-metros trending on y-o-y basis?

Abhishek Bansal: On a year-on-year basis, as I mentioned, tier 2, tier 3 today contribute about 24.5% to our revenues. A year back, they were contributing about 19%. In terms of their contribution to volumes, they contribute today about 45% and a year ago I think it was 40%. So, they are broadly gaining 1, 1.5% per quarter.

Ravi Menon: Your advertising expenses, are you saying that you don't anticipate a big increase in Q3 or did I hear you right?

Abhishek Bansal: No, Q3 should definitely have an increase because we commenced our mass media campaigns in October. We also commenced our particular targeted digital campaign. We added multiplexes as well. So, sequentially it will surely be much higher. But on a full year basis, which is what we typically look at for ad spend. Whatever 7, 8% of topline we were targeting, it could be lower based on how first half pans out.

Ravi Menon: Right. One last question about the vernacular languages. How fast it is progressing and is that app already out? When would it be out?

Abhishek Bansal: In terms of the latest app that you see, if you want to consume news, that you can definitely consume in vernacular languages. Live TV is also available in vernacular languages. The key is to get listing and other content in vernacular languages for which the work is in progress. And, I think in probably a quarter or so, we should have made some first cut release on that particular tech.

Ravi Menon: That seems to be a huge opportunity. Are there any players doing that in vernacular right now?

Abhishek Bansal: No, I don't think so.

Ravi Menon: What count is using that? If you get a broader base, would you do something else like doing e-commerce or something of that sort?

Abhishek Bansal: At this point of time, first of all, the idea is to get as many users come to our platform. Once you have users coming for vernacular content, obviously that could have separate monetization and other things as well.

Ravi Menon: And the 100 million users you mentioned, is that a unique user or accumulative number?

Abhishek Bansal: The 100 million users that I mentioned are unique on our mobile platform. Total 131 million unique which we aggregate across three platforms: 100 million on mobile, another 9 odd million on our voice and rest on our desktop. There could be some overlap between desktop and mobile considering if Abhishek accesses JustDial from his mobile device versus laptop. To some extent, there could be overlap but still I would say that largely 80-85% should be still unique.

Ravi Menon: All right. Thank you. Understood.

Moderator: Thank you very much. We have the next question from Arya Sen from Jefferies. The line is unmuted.

Arya Sen: Good evening, and thanks for taking my question. Firstly, if you could remind me when you took the price hike on the entry level. If I look at the annual revenue per campaign, it seems to have stagnated in the last two quarters. Is that the number going forward that we should use or is there some bit of a growth still left on the realization front?

Abhishek Bansal: Arya, price hike, we took in the first quarter of last fiscal year Q1FY18. We had commenced our advertising campaign with Mr. Bachchan in March last year. So, at that point of time, we had taken price hike on entry level products with the thought process that since JustDial will be visible much more in mass media, it would be easier for us to take those price hikes. Inherently, as I said that ideally realization should be on a decline considering the share of tier 2 and tier 3 is going up. But with various bundled offerings that we are able to sell, that particular realization is holding up well.

Another point that I would want to make here is that in our case whenever we see price increase or realization per campaign increase, that is not necessarily I am charging more to that particular SME for the same offering. All my products are digital in nature. So, the idea is for a particular SME buying a premium listing, can I bundle up another add-on product which might add value for that particular SME but it helps me get additional 5%, 7% revenue. So, those particular bundled offerings actually are helping me negate that impact of inherent price decline.

Arya Sen: I understood. Secondly, if you could give some feedback on what you are getting on the mood amongst the SMEs particularly in the larger cities as well as in tier 2, tier 3. There have been some issues on growth in some consumption sector. Is it something that you are seeing as well?

Abhishek Bansal: Till about four to six quarters back, we used to get feedback from our sales team saying that a particular SME is giving pushback in terms of renewing the particular contract citing that earlier they used to get x number of leads, now they are not getting x number of leads, etc. etc. But, with the education and training that we have done over the last four to six quarters where we have educated that a user who is now coming to that particular SME via internet platform is a much more high quality user. So, it's no longer a game of just looking at quantity in terms of number of inquiries that JustDial generates but in terms of the overall quality of traffic that we are able to get them. Now, that particular pushback is very low. So, recent quarters indicate that SMEs are pretty happy with the kind of traffic response that they are getting over the last one year. So, whatever 25, 30% year-on-year traffic increase that we are seeing, obviously the benefit of that is percolating into business or inquiries for SMEs as well.

Arya Sen: Okay, great. I will probably come back to the queue. I had one more question which skips me now.

Moderator: Thank you very much. We have the next question from Mr. Sarath Reddy from Unifi Capital. Line is unmuted.

Sarath Reddy: Good afternoon. This is a question to Mr. Mani. Mr. Mani, we are a relatively recent shareholder, and we are still trying to understand strategically how the business is going to evolve. The question that comes up most often internally is how JustDial relates to Google as a competitor. You are also an important customer. Could you help us see your vision of how JustDial competes effectively and how you will compete over the next few years with Google that is becoming increasingly local?

VSS Mani: First, I have to make a comment saying that this whole competition with Google is only a perception. It has not felt yet even at the marketplace nor on our traffic or any such thing. I am sure that Google has even bigger ideas in mind than getting into really local. They have not done it in the most matured market yet. So, I am not so worried about Google being a big threat for us. Secondly, large chunks of advertisers do not advertise on Google, Facebook, or any of these mediums. I would say to the extent of 80% of our advertisers or even more. So, when the traffic is growing and we are able to build a great product, I am not so worried about any competition. Yes, definitely a much more savvy consumer out there is looking for a much richer content, quality presentation, great user experience. And if that's what you deliver, then they are coming back to you. And the market is so big especially with the recent mobile internet penetration, traffic is growing very well and it seems like in future at least for the next five years it is going to grow rapidly every year. So, if we can hold on to the traffic that we have, the customers that we have, we can make them engaged with us more and work more on the user experience, I think we are there forever. I am not so worried about these big names, which you said. Some quarters back, I was really worried but not really now.

Sarath Reddy: Okay. And you have so many people on the street who get in touch directly with your customers but Google doesn't do that. At least in India, they don't do that, do they?

VSS Mani: That's right. I mean, they don't do it either in any country that I know and they don't do it in India too. I think Google's strategy has always been not to have a large number of advertisers. Basically, they don't want to increase their head count, definitely not in sales. But this business as such, if you look at all those Chinese companies which actually make money from small medium enterprises, they have probably 3x or 4x of the number of employees that we have. That's how this will work and you got to educate these small businesses. Although you give them all kinds of small sophisticated analytics but still you have to kind of be in touch with them and that's how it would work.

Sarath Reddy: Would it be fair to say that over 90% of JustDial's revenue comes from small funds and individuals?

VSS Mani: That's right. Small, medium businesses.

Moderator: Thank you very much. We have the next question from Mr. Shaleen Kumar from UBS. The line is unmuted.

Shaleen Kumar: Thanks for the opportunity and congrats on a good set of numbers. Personally, I feel this is really a good quarter after a while where we have ticked all the matrix. My first question for Abhishek. Sorry that I missed a little initial part of the call. Just want to understand the gap between 35% deferred revenue and net revenue growth of around 14%. How should I look at it?

Abhishek Bansal: See, deferred revenue obviously is a function of how much money we get in upfront payment from customers versus monthly payment plans. Imagine a scenario if 100% payment were to come to JustDial in monthly payment plan, what I receive in that particular quarter is what I will consume as revenue in that particular quarter. So, there could be quarterly fluctuation. So, unearned revenue to some extent surely is a leading indicator of where things are headed. But to correlate this particular percentage growth in deferred revenue should result into same growth in accrued revenue, that will surely happen if that particular deferred revenue continues to grow at that same rate for successive four or more quarters.

Shaleen Kumar: Exactly. Effectively, if things keep on growing, we should see the net revenue growth to be upping from here or there is an upside to the net revenue growth. That's the reading, right?

Abhishek Bansal: Sure. Definitely, that should be the case.

Shaleen Kumar: Cool. Mr. Mani, I heard your argument. I agree that Google doesn't have a strategy. But what about your dependence on Google? It's pretty high. Whether Google wants to compete with you or not, but it is commodotizing the search. Hence, user recall or users need to come to JustDial which is right now coming through Google comes down if Google provided upfront. That's a risk where Google may not be intentionally competing with you, but unintentionally just to provide data to the user is competing with you. How are you going to use your dependence or is there any play which you are thinking of doing something?

VSS Mani: First of all, it's a mutually kind of beneficial relationship with Google. I think both the parties are equally benefiting from it. I mean, JustDial has definitely much high and better quality content across the country, across categories and businesses and hence Google definitely finds us useful. So, you see JustDial results showing up in many cases. Secondly, we also have some kind of advertising relationship with Google. But despite all that, we will go to the advertisers directly, the people who advertise on Justdial, we will go to them directly and try to monetize this. I mean, they are welcome to do that. But they haven't done that yet in a matured market where there is much better revenue per customer market. So, I'm not so worried on that front.

Secondly, we are building a product where we expect probably in the next three to six quarters we would see a lot more traffic directly engaging with us using our Android app and various other products. So, basically, there is a balanced approach. Obviously, every company will be happy if the traffic comes directly. But Google is synonymous with internet. It's like a funnel right now. Even you must be into the going via Google, although you know where the destination is. So, a lot of this traffic you don't know whether it is genuinely coming out of that or it is actually intended towards your particular site like JustDial. So, I definitely don't lose my sleep on this. I lose my sleep on meeting timelines and other things that we have in JD. And we have seen that the internet audience constantly evolves. It kind of figures out and as people get savvy they figure out this is much better for me, so I go here and do a lot of things. So, we have to be focused on that consumer and then get that experience. For example, in the last two to three years, we probably neglected on getting rich content especially for verticals like restaurants and all that. We figured out that that was a folly at our end. Now if you really get into comparisons in terms of basic content, we are definitely as good as any of these verticals. So, that has been a learning for us.

I think the consumers and users are there. I personally feel that consumers tend to converge to one place to get many things done than go to several places. That's going to be the future trend. And if there is any company which is really geared up for that, that's JD. I request you to check out our iOS App and Androip App whichever phone you use and do give us your feedback.

Shaleen Kumar: I have your Android App. I keep a track of that. Lastly, if I can ask it. On the vernacular thing which you are talking about, will that be on the mobile site as well?

VSS Mani: Right. Vernacular majorly will work on app and it will be more transliteration than translation for search-related queries. Like if you are trying to find the business or product or service which will be transliterated in your language or in that particular Devnagiri or Bengali or Tamil or Gujarati, whatever the language is. Now in the case of other content which is basically the other content like news and all that, there we already have vernacular content. If you are in the footer, you will discover something called news and if you click on news, then select language of your choice, and you get content served in that particular language. And these are opportunities for us as we can use the engagement. These are the opportunities for us to place our ads, local related ads, much more relevant ads to users and these are future revenue products for us.

Shaleen Kumar: Sure. Great. Thank you so much and best of luck for your future endeavours. Thanks.

Moderator: Thank you very much. We have a follow-up question from Vijeet Jain from Citi Bank. The line is unmuted.

Vijeet Jain: I just wanted to check on a couple of answers. First, have you seen any uptick on your daily app downloads since you have already launched your advertising campaign in October? Have you seen any uptick in that yet, or is it too early to judge that? That's my first question. And my second question is, I think you have answered this before in previous call but I just wanted to ensure I understand what you mean by bundled offerings when you say that bundled offering is what you are offering to your existing customer base that is holding up your realizations and I wanted to understand if this is something that you see which could impact big chunk of your existing paid campaigners and what kind of delta are you seeing on an average campaign from offering people more?

Abhishek Bansal: Bulk of the app downloads are coming for our regular app. We are also in the process of optimizing our light app. So, current run rate as I recall is around 14,000 – 15,000 downloads a day. That is on the app downloads. On bundled offering, what we meant is that earlier whenever a particular customer used to buy our particular core product offering which is the premium or the non-premium listing, any cross sale to that customer used to happen maybe six months down the line, nine months down the line. But now we have launched certain products wherein we tell that particular customer that you are taking this particular premium listing if you add a banner along with this, that could help you increase your visibility. We also encourage them to take websites where we are able to build customized website for any particular business just in a matter of four to six hours. So, those particular products if bought separately obviously would cost more to the SME. But they are bundled together so that SME is able to pay us a higher amount for that particular bundled offering.

Vijeet Jain: Got it. Thanks.

Moderator: Thank you very much. The next question is from Mr. Umang Shah from Edelweiss. The line is unmuted.

Umang Shah: Hi, Abhishek. Abhishek, I had one question. We had started something with Amazon. If somebody wants to buy something from our app outright, we used to divert them to Amazon or Flipkart. Do we have any matrix where we can know how many diverts we have and how much business has been generated or how many specific queries have been coming for that transaction?

Abhishek Bansal: On that particular vertical, the key thought process has been to add as many online players as possible. So, if you see about a year back, you used to see only the top two or three key online players. But today, you would see prices from seven, eight such players. So, these particular products are more from a user engagement perspective at this point of time rather than looking at them from a monetization perspective.

Umang Shah: Okay. So, currently we don't have any monetization and it's just the bridge between two suppliers and our customer end supplier:

Abhishek Bansal: We do get affiliate commissions for whatever traffic we give to some of these portals. But those particular commissions obviously considering our core search revenues they are not meaningful at this point of time.

Umang Shah: Okay. Sorry, can I squeeze in one more question? I was just looking at your data of paid campaigns. Total number of listing, that's around 23.8 million and paid campaigns somewhere close to 0.47 million. It comes to 1.98% whereas when I look on our previous quarters and yearly trends, it has always been above 2%. Is there something to be one-time difference over here or this is just a normal graph that we can see?

Abhishek Bansal: On the total database, government says there are about 60-65 million SMEs in India and another 15-20 million in our assessment could be freelancers such as yoga teachers, gym instructors, tennis coaches, etc. which are possible target listings for us. So, against 80 million potential base, we currently have only about 24 million. So, there we are making a conscious effort to ensure that we add approximately a million new listing every quarter. But correlating with commensurate growth in paid campaigns, paid campaigns obviously are a function of which all geographies we are able to target. The new data might come from various sources including feet-on-street, newspapers, magazines, any other offline sources as well. So, to that extent, since the denominator is growing at a very faster pace, that is what is resulting into this ratio or percentage going down.

Umang Shah: Okay. Thank you so much.

Moderator: Thank you very much. We have few more follow-up questions. Mr. Ravi Menon from Elara Securities. The line is unmuted. Please go ahead.

Ravi Menon: Thank you. Abhishek, you have mentioned that you have kind of decentralized which is making branches hiring more sales people on their own once they cross the revenue target. Could you just elaborate a little bit on that?

Abhishek Bansal: We have key offices in 11 main cities and all other tier 2, tier 3 cities are associated with each branch. The way we go about hiring is we look at what is the productivity for a particular branch say Mumbai. If they are producing x Rupees of revenue per person, Mumbai is compared with a pan India average. What is the pan India average? If pan India average is higher than Mumbai, then in that case, we encourage the Mumbai existing sales force to ramp up their productivity before they hire their particular next batch of employees. So, that particular exercise helps us to ensure that we expand in geographies where productivity is higher and we curtail in geographies where productivity is lower. That is what has helped us to ensure that our employee cost remain in control and commensurate revenue slowing with addition of employees.

Moderator: Thank you very much. We have one last question in the queue from Arya Sen from Jefferies. The line is unmuted.

Arya Sen: Thanks again. Firstly, are you doing any collection now which is more than a year?

Abhishek Bansal: In certain limited cases, we do have customers who are willing to pay us for more than one-year duration. So, in that particular case, if it's a win-win for us as well as the customer we do for such contracts.

Arya Sen: That would be like less than 5% of your collection or more?

Abhishek Bansal: That would be broadly about 6%, 7% of the overall collection.

Arya Sen: Is that going up?

Abhishek Bansal: This type of contract, their contribution overall would have gone up compared to last year, but not meaningful. A bulk of the revenue still continues to be a year or less than one-year tenure contracts.

Arya Sen: Right. And in such cases, in terms of how you recognize your revenue, do you assume constant pricing throughout the two years or whatever the period is?

Abhishek Bansal: Yeah, that is a pro rata spread over the tenure.

Arya Sen: Understood. Secondly, has the churn rate changed from what it was historically?

Abhishek Bansal: As we last saw, churn rate is slightly lesser now with the increased proportion of how tier 2, tier 3 cities. So, tier 2, tier 3 customers, since we entered those geographies late, they don't have that particular baggage of comparing their ROI simply on the basis of their leads. So, to that extent, we used to have churn rate of broadly 40-45%. That is now lowered by 2-3% points.

Arya Sen: Understood. Lastly, could you remind me what is the traffic split between direct and through basically Google?

Abhishek Bansal: Broadly, one-fourth of the total traffic comes directly to us, and three-fourth comes indirectly to us.

Arya Sen: And how much of the direct is through the app?

Abhishek Bansal: Out of the total mobile traffic which contributes around 77% of the total traffic, around 90% plus comes from our mobile site simply because all our platforms mobile sites and mobile apps are replica of each other, and the rest would be mobile apps. A bulk of the mobile app traffic is direct in nature.

Arya Sen: Right. Thank you so much.

Moderator: Thank you very much. At this time, there are no further questions from the attendees. I would like to turn the programme back to the management.

Abhishek Bansal: Thank you everyone for joining us. As mentioned earlier, focus continues on building on current growth level both in topline as well as bottom-line. In case you have any queries, please do reach out. We would do our best to address. That's it from our side. Thank you.

Moderator: Thank you once again. I would like to thank all the panel members and participants who joined us today. Hope you all spent a useful time. That does conclude the investor's call. Wish you all a great day ahead. Thank you everyone for joining in.