



Nomura Financial Advisory & Securities India Pvt. Ltd

“Q3 Post Result conference Call of Just Dial”

January 22nd, 2019



SPEAKERS:

Management, Just Dial Limited

Moderator:

Good day ladies and gentlemen. Thank you for standing by and welcome to the Q3 Post Result Conference Call of Just Dial. For the duration of presentation, all participants' lines will be in listen-only mode and we will have a Q&A session post the presentation. I would like to now hand over the call to Mr. Ashwin Mehta. Thank you and over to you sir.

Ashwin Mehta:

Thanks Bhagat. On behalf of Nomura, we would like to welcome you all to the Just Dial 3Q post result con-call. We have with us the Founder, M.D. and CEO of Just Dial Mr. V.S.S. Mani. We also have the CFO of the company Mr. Abhishek Bansal. So without further delay, let me hand it over to the management.

Abhishek Bansal:

Thanks Ashwin. Hi everyone. Welcome to Just Dial's earnings call for third quarter of fiscal 2019. We'll quickly go through key financial and operational highlight for the quarter. Operating revenues stood at 226.8 crores which grew at a healthy 15.2% year on year. The growth rate being the highest in last about 14

quarters. Adjusted operating EBITDA excluding non-cash ESOP expenses stood at 60.5 crores witnessing 19% year-on-year growth. Adjusted EBITDA margins stood at 26.7% for the quarter. Now coming to EBIT margins. EBIT margins stood at a healthy 20.5% versus 19% during same quarter last year. Net profit for the quarter stood at 57.3 crores which almost doubled year on year. Other income was 34 crores for the quarter, being benefitted from declining bond yields during the quarter on sequential basis. Cash and investments stood at around 1440 crores as on 31st December, which is an increase of about 240 crores during the fiscal year. The buyback of 220 crores was completed on the 10th of this particular month. Broadly, as we can see, business has been able to replenish the buyback amount during the first three quarters of this fiscal itself. Coming to operational highlights, mobile traffic grew at a healthy 43% year on year to 105 million unique users. Overall, including all platforms, we were able to grow at 25% year on year to 134 million plus unique users for the quarter. We added another million listings to our database and we now have 25 million active listings as we speak which is about 20% year on year increase. Paid campaigns stood at approximately 485,000 at the end of the quarter, which was an addition of about 14,800 campaigns during the quarter. Overall, it was a steady solid quarter. All three key metrics – user growth, revenue growth, profitability that we primarily track, were on track. First nine months of the fiscal have delivered 60% year-on-year growth in operating profits at EBIT level. Our focus on adding feet on street continued. We now have 3600 plus personnel in our cold calling feet on street team. Ramp up in this particular team is helping us with higher customer acquisitions, which is showing an uptake in paid campaigns. As a business, focus continues on getting more users to our products, getting users to engage more through super rich curated content building on to current growth rate and maintaining healthy profitability. We shall now open the floor to questions. Thank you.

Moderator: Certainly sir. With this, we open our floor for Q&A. Any participant who wishes to ask any question can press 0 and 1 on your telephone keypad and wait for your name to be announced. Participants, if you wish to ask a question, please press 0 and 1 on your telephone keypad. We have the first question from Mr. Ravi Menon from Elara Securities. The line is unmuted.

Ravi Menon: Hi. Thank you for the opportunity and just wanted your take on the expenses, how much of that is advertising and how does that stand y-o-y?

Abhishek Bansal: Advertising expenses for the quarter were at approximately 19 crores. So, broadly for first three quarters of this particular fiscal year we have spent about 40 crores on advertising.

Ravi Menon: 40 crores okay. Fine. You said that your feet on street expansion will continue. So do you think there is some improvement on pricing as well that we can expect on the paid campaigns front?

Abhishek Bansal: See this particular quarter as you can see out of the 15% top line growth, 10% came due to volumes or say paid campaigns, rest about 5% impact was due to pricing. On pricing or blended realization, there is inherent downward pressure

due to increasing mix of tier 2, tier 3 cities. However, despite that we have been able to arrest that particular decline through either bundled offerings or timely price increases which are embedded in our software which are traffic linked. So going forward as well I think revenue growth should be a function of both campaign's growth as well as realization growth.

Ravi Menon: Okay and any impact that you've seen so far from Google neighbourhood in any particular cities or do you even see that as a threat for you?

Abhishek Bansal: See honestly not really. So some of these particular products have been launched in last 6 to 12 months, but we don't see any specific impact per se even if I consider my user behaviour or in my particular tier set, adoption of these particular newer products seems to be very, very low at this point of time.

Ravi Menon: All right, great. Thanks. And one last question about your other income, you know, it seemed to be pretty high on a y-o-y basis. Any one of realizations like mutual fund redemptions or anything of that sort in yet?

Abhishek Bansal: No, nothing. So entire other income bulk of it is due to MTM gains on our portfolio. Last year December quarter there was increase of about 65 basis points in 10-year G-Sec from September 2017 to December 2017. This year almost opposite happened. September 2018 ended at about 8.05% whereas December ended at about 7.34 or so. So due to that, there was a gain and the total other income stood at 34 crores for this particular quarter. There is no one-off in that particular other income.

Ravi Menon: Great. Thank you.

Moderator: Thank you Mr. Ravi. We have the next question from Mr. Nitin Lakhia from HDFC Mutual Funds. The line is unmuted.

Nitin Lakhia: Good evening. Just one piece of information which perhaps you could add to your disclosure is engagement. So while you have been sharing unique users for a long time now, what is the sort of engagement improvement after you've added the other tabs on your JD app which is your Social, Videos, JD Pay, News, etc.? So if you have handy data and if you could share, it will be great, else you could start sharing it later.

Abhishek Bansal: Sure Nitin. So one, there are multiple metrics that we internally track. One metric obviously is on searches that we track. Searches broadly for the quarter were at about 750-800 million or so. In terms of user engagement post addition of these particular newer features, couple of metrics that we track is, how has been the repeat user rate, how is the time spent per particular session, etc. So we will definitely consider whatever relevant user engagement metrics that we can disclose which could give some idea on how engagement is panning out post these new features.

Nitin Lakhia: Also if you could help us understand how these other tabs are leading to any monetization if at all. I mean is any of it contributing to revenues and if at all yes

then which of these to you looks the most promising from a 12-18-month horizon?

- Abhishek Bansal:** See at this point of time obviously most of these particular features are mainly to enhance user experience, increase user engagement. However, there is a certain level of monetization that has already started. The key promising one that I see is the home page feed, that is very promising. In fact, we have had interest from a couple of brands to get visibility there because considering the sheer amount of traffic that we get on a daily basis. The social section also feels quite promising. So on the home page feeds we are planning to introduce other features such as products or services related items where there could be interest from brands on new launches of their particular products. So we'll see how monetization pans out for that.
- Nitin Lakhia:** Okay and JD Pay is UPI linked peer to peer payment system or is there something else to it?
- Abhishek Bansal:** So JD Pay has multiple payment options. UPI also is being linked in JD Pay which should go live in another probably one or two weeks.
- Nitin Lakhia:** Okay, so currently how would one pay?
- Abhishek Bansal:** Sorry.
- Nitin Lakhia:** So currently, how does one use JD Pay.
- Abhishek Bansal:** So currently vendors can actually request their customers to pay via JD Pay. So if you are a user going to a particular shop, that shop owner can ask for your mobile number or link will be sent to your mobile number. As soon as you click on that particular link, a payment gateway opens the JD Pay interface. If you have paid anytime in the past using credit card on any of the Just Dial platforms, your particular credit card details will be auto populated. You enter your CVV and other OTP-related details. That particular money then gets credited to that particular vendor.
- Nitin Lakhia:** Got it. Thanks. If there is anything else, I'll come back in the queue.
- Abhishek Bansal:** Sure, thank you.
- Moderator:** Thank you sir. I would again request all the participants, if you wish to ask any question, you can press 0 and 1 on your telephone keypad. In the meanwhile, we have the next question from Nisha Jain from Edelweiss. The line is unmuted.
- Pranav:** Hi. This is Pranav from Edelweiss. My first question is regarding your traffic on app and mobile. So can you give some color on how the growth has been for traffic for app and as well as the mobile traffic growth, I mean the web browser traffic?
- Abhishek Bansal:** Pranav out of the total traffic about 79% is from mobile platforms and out of the mobile traffic 90% plus comes on our mobile site. So as we have mentioned in

the past that considering we are a local search engine and our first prime responsibility is to ensure that we give out information to the users at the earliest, we are platform agnostic. Even in terms of the product design, architecture speed, if you will see, our app and mobile site are almost replica of each other.

Pranav: Right, but any color I mean, you know, is the app traffic growing much faster than the mobile traffic or that is not so?

Abhishek Bansal: See both mobile site as well as app, the traffic growth is similar in nature. Last year same quarter in terms of app downloads we used to run a campaign with our JD Lite app which we were campaigning as a 1 MB app but later we realized that instead of 1 MB, users want a better experience which comes through a fully native app. So if we see just the traction on the native app and the mobile site, the growth rates like my assessment is should be pretty much similar.

Pranav: And in the newer version of the app, can you tell us that where users are spending more time and has that increased the time spent on the app if at all?

Abhishek Bansal: See bulk of the traffic obviously, users are spending more time on Search. So mainly for the core search, we have two types, Category pages and Company pages. So users obviously spend the maximum time browsing or consuming information from those two particular types of pages. Once they come to the platform to consume information for those type of pages and they discover other products, they end up spending time on other particular products for example recently we have added feature such as online movies, the approach in all these particular verticals is that we continue to remain enabler and all the content etc. that you see are automatically powered through various feeds etc.

V.S.S. Mani: So the interest of this new approach to the app is to make JD the go to place for users. They should just come to Just Dial to actually discover and find any kind of product or services. So here we thought that a certain type of daily engagement features we keep that could actually have more frequent visits to the app. Thereby being more searches or even these visits routing into some kind of monetizable traffic. Hence we introduced new segregation. If you go to the news section in Just Dial, you would see pretty much the best of the best names and the best TV channels; whether it's Republic, NDTV or ET Now or it's Times of India, Economic Times or any leading newspaper, you'll get all of them in one place and it gives the user the ability to change language, even choose a particular publisher and see filtered out information. So we have multiple languages like about 10-12 languages right now and then across the board almost all publications which are worth its name are covered on Just Dial's news section. On the other section which is Infotainment and Social section. There we give lot of information about various products, information about certain companies, you know, all that which is what we've figured out that people like to hang out and kind of enjoy more. Then we introduced sections like Movie Online. The whole idea was, you know, if a person wants to watch movie online sometimes it's difficult to know which app has that particular movie. Suppose it's a new released movie, whether it's a Netflix or it's an Amazon Prime or it's in may be Eros or Zee or Hotstar. What Just Dial's Movie Online section does is

that it's just a single box search. You just name that movie, we'll tell you where you can watch it. It could be more than one destination you can watch it. So we feel there is a need for such a service and we've added that and this helps us also to learn about a user, the user behavior and what all kind of intent that user has and this is probably at some point because of the deep learning help us monetize that user pattern and also serve in better with the right kind of content and this app has a full customizable feature which you can say these are my interest areas. You could say my interest is technology. You could say my interest is on cricket or in Bollywood whatever or even for that matter your own business. You could be a dentist and you want to know what's happening latest in the dentistry world or what kind of new surgical equipments have come or new kind of methods are there. All kinds of relevant content will be served to every business owner as well as the user. So, this is really a very interesting app and at some point you will see that it is going to be so useful at the same time so addictive that you will see more and more people will start appreciating. The best way to do it is to download the app and experience it yourself and give us the feedback and the next question that you would ask is, oh my God, why aren't people knowing about this. You know, this is such a good app that everybody should know about it and that's where we're heading towards actually.

Pranav:

Yeah, that is actually leading me to next question that will there be increase in the content cost or any advertisement expenditure related to promotion.

V.S.S. Mani:

Already we have advertisements in these sections. In fact, one of the leading online player is advertising, spending about 10 lakh a month, something like that and a lot of inquiries from leading brands. The advantage of this section is, for example, if an article is dealing with automobile, then the guys who were into selling cars, they can target its audience. Even for specific automobile, where there is an editorial content that could also be converted into a lead, like test drive the car now or get a quote now, you know, things like that. You'll soon see that each of those posts, the rich-content posts that you'll see whether it's video or static or a text, you would see each one of them will soon have a kind of an action tab which is monetizable for Just Dial. So the potential is huge actually and the local businesses can target that easy locally with their offers, sale, all kinds of information that they want to target. They can do geo targeting, they can do PIN code targeting, specific area targeting. We allow all of those.

Abhishek Bansal:

And to answer your question on whether there'll be any increase in cost, no there isn't going to be any material increase in cost.

V.S.S. Mani:

All are or most of them are from RSS feeds voluntarily provided by the publishers. So we don't create any content ourselves. We only curate them, we aggregate them, we present them as best as possible.

Pranav:

Okay, and for advertisement expenditure, should we have some color on how we should be seeing it in FY20. Will it be around 10% of the revenue and also I mean, you know, more on the broader margin, how the margin should shape up for the company because my understanding was we'll have almost 50%

incremental EBITDA margin on this business. Does that number sound right or we should look at lower side?

Abhishek Bansal:

See firstly on the ad spends, as we have mentioned in the past 7% to 8% of the top line is broadly what we are comfortable with, but in case we find that okay the product requires more advertising in a particular year, we would definitely be open to do that. So far, the philosophy that we have followed is that every quarter we keep evaluating out of the various platform that we are advertising on which medium is working the best for us and keep tweaking our spends accordingly. So even if we say allocate 7% of top line budget, it could be 6%, 7.5% whatever depending on the whatever value that we can draw. On the margins front, yes on a gross margin basis we make broadly about 60% gross margin which is revenue less direct sales cost. So there is significant amount of operating leverage in the business which I think is already playing out. So even at just 15% revenue growth despite and a good run rate of advertising spend, we are still able to deliver 26%-27% adjusted EBITDA margins.

Pranav:

Okay, thank you. That's it from our side.

Moderator:

Thank you sir. We have the next question from Baidik Sarkar from Unifi Capital.

Shikhar:

I am Shikhar. Thanks for taking my question. I am sorry if I missed this in your opening remarks. Your advances have now been I think flat for three consecutive quarters. I understand this is best seen as a y-o-y metric but just given the flatness of three quarters, I mean is it potentially leading up for a weak traction for FY20, am I reading this right? Your comments.

Abhishek Bansal:

No, definitely not. See, as I mentioned earlier that unearned revenue are advances received from customers. Those should be looked more on a year-on-year basis. If you see in last six quarters, there have even been quarters where sequentially there have been a decline plus there have been quarters where in just say the last March quarter, June quarter, there were significant jumps in those particular quarters. So there could be quarters where the focus could be more on getting higher value. There could be quarters where focus could be on getting more sign ups. Unearned revenue is best looked at on a longer timeframe of four to six quarters and on a year-on-year basis.

Shikhar:

Sure. So the feet on street ramp up I think began about three to four quarters back, so from an operating leverage perspective, has that begun to function at full throughput or is there juice to be extracted on that front yet?

Abhishek Bansal:

See the feet on street team over last about four quarters we have added broadly about 1300 folks, 300 to 400 new additions every quarter. It takes time for those particular new hires say anywhere three to six months to materially start producing results. So in last couple of quarters like September quarter we added about 18,000 paid campaigns, December quarter about another 14800. So those particular campaign additions itself are reflecting their particular ramp up. Now this helps us in two ways. Obviously, one is more number of customers. Second, these customers obviously have great potential to get upgraded to higher value

contracts in future. So that also should be positive considering ramp up in paid campaigns.

Shikhar: Okay, and I remember you mentioned this that the unearned revenue represented about 65% to 70% of your revenue potential, is this the right metric because you do have a lot of monthly payment things as well?

Abhishek Bansal: Right, so out of the total money that we receive from our customers broadly about 65% comes in upfront payment plans and rest about 35% or so comes via monthly payment plans.

Shikhar: Okay and this 10% y-o-y growth that we've seen, how much is in the top 15 cities and how much is from beyond?

Abhishek Bansal: Sorry, can you come again please.

Shikhar: Yeah, your campaign additions, your paid campaign additions, you know, you're roughly 10% y-o-y [indiscernible], I'm just trying to understand where the traction is coming from? Top 15 cities, beyond top 15 cities.

Abhishek Bansal: Got it. So tier 2, tier 3 cities, they broadly contribute today about 26% to top line and about 46% to count of campaigns. So in terms of revenue they are gaining share by about 1.5% of quarter and in terms of count of campaigns about 1% per quarter.

Shikhar: Okay, okay. And, you know, interesting example that Mani spoke about revenue from potential platforms. What's the revenue proportion from that count?

Abhishek Bansal: Sorry revenue from?

Shikhar: I mean, as Mani was giving the example of looking for a movie on your platform depending on which provider has that movie, user is directed towards that specific platform. I was trying to understand what proportion of revenues begun to flow in from this particular segment?

V.S.S. Mani: There is no such thing as we think about a product, thinking about immediate revenue. Revenue comes as we learn more about the user. There are various ways to monetize that. For example, in Movie section perhaps we will not make any direct revenue from any of those platforms because these are apps which you are subscribing to already. The only problem is you just do not know you have to go to three or four different apps to see which one has this particular movie that you want to watch. Perhaps you come to JD, you just put the movie name, we give you all those platforms where you can watch or it can be exclusively available on one particular channel. But over a period of time, I will know that you are a Hollywood fan, you like comedy movies, you like action movies, and there are ways to monetize that. So this is a load of deep learning that we're getting about our users now. Earlier it was only category searches, intent to search basically but now they're actually leaving their footprints on a daily basis on many things so we know more about them and there are a lot of interesting

kind of business opportunities developing but it's too premature to say anything in terms of real monetary terms right now. But have you tried the app yourself?

Shikhar: I haven't Mani, in fact, I wanted to know.

V.S.S. Mani: Then please do that and give your feedback.

Shikhar: I look forward to it. Mani, so you know given the opportunity if I can engage you on one more thing, you know, obviously Urban Ladder, I am getting free to take names here. It is obviously not a perfect platform comparison but given the fact that they've taken the ownership of end-to-end services. There is a certain traction that those services are being met obviously. So given the cash on our balance sheet, given the resources that we have, given the significant amount of bandwidth required in building a platform, do we eventually see ourselves getting into fulfilment services?

V.S.S. Mani: I mean, the example you gave is a furniture online company. Are you trying to look at services? Are you talking about Urban Clap probably?

Shikhar: I am talking about services, for example Urban Clap.

V.S.S. Mani: Okay, Urban Clap, fair enough. So see, it's like a high touch model if you want to get in. You have to be specialist in that business as well. So I don't think as a search engine we are specialist in delivering those services and that is going to be quite a risky area for us but then we are not adverse to sending traffic to these services as well. If you see on restaurants, we are sending traffic to many of these delivery services, online delivery services companies. We have been driving traffic to them and driving traffic to even these online players who want to get into actually fulfilling it themselves. But I think it's a business we should not get in but we will definitely encourage our vendors which we are already doing. Very soon you're going to see a difference there, that you'll be able to schedule the visit instead of just calling up those vendors and calling up many different vendors. You can just schedule a visit, you'll get to know the price that you have to pay for the services and all that upfront. Yes, that bit we will do it but whether we will employ our beauticians and provide beauty services at homes? No, I don't think that is going to happen ever.

Shikhar: Sure. Abhishek the number on churn this quarter?

Abhishek Bansal: Sorry the number of?

Shikhar: Churn, churn, customer churn.

Abhishek Bansal: The retention rate has been broadly in the range of 56%-57% which is the one-year retention rate that we defined.

Shikhar: Sure, sure. And given cash pile up continues at a decent rate, I understand buyback might be your regular feature but that leaves us with a lot of liquidity. I think more than what we need. Any strategic direction on where we're headed with that?

- Abhishek Bansal:** See, on cash on balance sheet as you rightly said that again 220 crores the business has already replenished. Last year buyback, the maximum permissible limit was 25% of free reserve plus paid up capital, was coming to 227 crores. So considering buyback is more tax efficient, we would look to distribute money to shareholders via buyback. Apart from that, as of now that particular cash will remain on our books and will continue to keep us in a healthy financial position.
- Shikhar:** Okay, sure. And just last question before I get back to the queue. Areas like restaurants which have seen solid customization from peers. What's the kind of traffic that you continue to get, like Mani mentioned continue to drive to your partners and if you can give us some more relevant examples in other segments?
- Abhishek Bansal:** See on any of these particular verticals considering the traffic monetization, all these things are so diverse in terms of contribution. I don't think so any particular single category even in terms of traffic might be contributing 1% of my overall traffic. So to that extent difficult to say how much traffic exactly comes from restaurants or any of these categories. In terms of monetization as we have mentioned in the past, two-thirds comes from service-oriented categories and those are the ones where we have our strength such as packers and movers, pest control services, real estate agents and all those things.
- Shikhar:** That's helpful. Thanks gentlemen. I'll be in touch. Thank you very much.
- Abhishek Bansal:** Thank you.
- Moderator:** We have the next question from Prajjwal Gauche. The line is unmuted.
- Prajwal Gauche:** Yeah, hi. Thanks for giving me the opportunity. Sir I unfortunately missed the opening remarks. I had just two questions. Firstly, the revenue guidance and margin guidance for the year 2020 and advertisement spends for this current quarter. Thank you sir.
- Abhishek Bansal:** See ad spend for December quarter was about 19 crores. Coming to revenues and margins, so this particular year at beginning of the year as we had mentioned that we are targeting meeting for the year which we seem to be achieving comfortably. On the margins front, again we have been very cost conscious plus operating leverage has ensured that we have delivered about 26%-27% adjusted EBITDA margin on a nine-month basis. So the idea both on revenues as well as margins is to improve from current growth rate. It is a bit too early to guide for what we are expecting next year. So let us see how it goes. In terms of inputs like on revenue front as I have mentioned that feet on street cold calling team is delivering phenomenal results where we have expanded pretty well. So I presume that all these initiatives should put us in even better position for FY 2020 versus 2019.
- Prajwal Gauche:** Okay, thank you so much. That's all from my side.
- Abhishek Bansal:** Thank you.

Moderator: Thank you. We have the next question from Alankara from Macquarie. The line is unmuted.

Alankara: Yeah, hi. Thanks for the opportunity. Firstly realizations have been largely stagnant over the last three quarters. Now with the continued focus on tier 2 and 3 cities, how should we look at realization growth going ahead?

Abhishek Bansal: See on realizations on a blended basis, there is expected downward pressure because as I said that 26% revenue comes from tier 2, tier 3, but they contribute 46% by count of campaigns. However, despite the downward pressure we have been able to maintain or even grow our particular realizations. The good positive signs that we have seen in some of our tier 2, tier 3 markets are that our sales teams itself is requesting for certain price hikes for example a tier 2, tier 3 town which was at entry level of say Rs.1000 a month, we are getting request of increasing that to Rs.1200-Rs.1250 which means that SMEs in that particular territory are now more amenable to pay higher prices. So those kind of price increases plus our bundled product approach should help us have certain percentage of growth being delivered through realization as well versus the inherent drop that is expected.

Alankara: Understood. So may be a quick follow up to that would be, broadly do you expect the difference in the paid campaigns growth and the realization growth to be similar to the third quarter performance?

Abhishek Bansal: See we started the year where it was more about realization driving the growth. Then second quarter we had both the levers contributing almost equally. Last quarter it was more about paid campaigns. So we'll have to see which particular lever is able to deliver what kind of growth. Overall, our first objective is to maximize revenue and that on two fronts – revenue per sales employee, revenue per SME. So when I give target to my particular sales employees, I don't state that I need X campaigns for this particular month, though there might be incentive policies which inherently make them focus more on either campaigns or value but overall the first objective is there should be growth in the money coming into the company.

Alankara: Understood. And secondly you mentioned about 90% of mobile traffic being through the web site and that app and mobile site are almost replica of each other. So do you really remain comfortable with this 90% number or as a company we are taking steps to increase the traffic contribution from the mobile app?

Abhishek Bansal: See if you were to ask me that okay Abhishek what would your preferences be for the company for say three years down the line, definitely we would also want as many users to have our app into mobile phones such that they use that particular app on a daily basis. The user experience though very similar on mobile site as well as app, app tends to be a notch better. So we would want to have more and more apps being installed but at the same time we are conscious that we would not pay some crazy amounts of Rs.200-300 per app downloads and see the normal consumer behavior of 70%-80% of that apps being

uninstalled or some continuous incentive being required to have those particular app stay in that particular mobile phone. So to that extent the first objective is to have users come, take that particular information, be platform agnostic, over time have your products so rock solid such that there is higher retention for your particular app which should be coupled with other advertising campaigns focused on app installed etc.

Alankara: Okay. That's helpful. Thanks and all the best.

Abhishek Bansal: Thank you so much.

Moderator: Mr. Ashwin, you may go ahead.

Ashwin Mehta: Yeah, so I had one question in terms of paid listings momentum going forward, so now given the churn of close to say 43%-44%, do you see enough scope in terms of tier 2, tier 3 monetization to up your paid listings momentum materially ahead of where we are. We've been in the 15,000 to 18,000 range for the last two quarters. So going forward, do you think there's enough momentum available to kind of raise that?

Abhishek Bansal: Ashwin sir if we look on a macro basis right, so Indian government broadly says there are about 65 million SMEs in India, another 10 to 15 million could be freelancers such as say a yoga teacher, gym instructor, who are not technically SMEs but they classify as listing for us. So broadly I would put the universe at say around 80 million listings or so. Against 80 million listings, I today have only 25 million listed with us and most likely those the rest are yet to be present online on any platform and out of those 25 million, it's only about 390-400 thousand unique customers that are paying us and paid campaigns are 485,000. So overall there is significant room for paid campaigns to actually grow. It is a function of the market that we are able to penetrate, the productivity levels that we are able to draw from our sales force. So all those factors, we have to closely monitor to see that this 15,000 sort of run rate continues. On the macro side, there is no particular dearth or saturation so to say.

Ashwin Mehta: And if you were to think strategically from say 3 to 5-year perspective, would you say the current business model or the current revenue model through paid listings would be able to sustain your growth or you would need to add more revenue streams to your business model and what could these new revenue streams be?

Abhishek Bansal: See from a 3 to 5-year perspective okay, firstly what is so to say on the vision part, right? The vision that the company has is that our key responsibility is to get customers for SMEs. Now with that particular philosophy, there could be multiple ways to actually monetize from SMEs. We definitely think that even 3 years, 5 years down the line our key revenue will come from these particular SMEs. SMEs today are paying me for getting paid listing on my platform. They are getting leads, they buy products such as say customized web site that we sell to them. So there could be other tools or technology-related products which we might sell to these SMEs. So as and when over time we will sort of see that

which particular areas or streams of revenue are getting traction. So overall core search itself has indeed significant room to continue growing. There could be other streams which could add on to these particular current core revenue areas.

Ashwin Mehta: Okay, thanks a lot and all the best.

Abhishek Bansal: Thank you.

Moderator: Thank you sir. We have the last question in the queue from Nikhil Jain from individual investor. The line is unmuted.

Nikhil Jain: Yeah, just one question I am taking from the last question itself. Do we actually quantify or let's say measure what is the reason for this 43%-44% churn that happen on y-to-Y basis and do we also track let's say whether these SME customers whom we are charging, are they coming back again after leaving us. Let's say for one year they paid, then the next year they did not pay and after that the next to next year they come back again. See, I'm just trying to understand what's the pull and what's the reason for them going away in such a large number because 2, 3, 5000 should not be such a big amount for them to pay?

Abhishek Bansal: Okay, let us understand. See two-three things here. First, this particular 43%-44% one year retention rate that we define, the trends have been similar for last say 10-15 years. It's not that earlier when bulk of the traffic used to come on our voice platform, at that time churn rate were any different. Second, out of these 43%-44%, 10%-12% is due to business mortality itself. A new business when it opens up, they have the most requirement of a platform such as Just Dial. They take up the subscription may be after a year's timeframe, they themselves move on to doing another business, so that leads to mortality. Third, some of these particular customers out of the remaining 30%-32%, those particular customers might want to pause their particular campaign for a brief period of time and then come back into the paid ecosystem later. I'll give you one particular analogy. Over last two years the advertising that Just Dial has done, right? We started with advertising on news channels. We continuously did for about six months last year, then we paused it. We again came back for a period of two months. Last particular quarter in October we did a full-fledged campaign for a period of one month then we paused it. Now whether it should be seen that Just Dial as a customer is actually churning out of those particular platforms, I don't think so. Advertising is something, which tends to be discretionary in nature; whether it is Rs.2000 or Rs.2 lakh. Every person tries to evaluate advertising from time to time and they take their decisions of allocating their advertising budgets accordingly.

Nikhil Jain: I understand that. So thank you for the explanation but let's say if I am SME and I am advertising on Just Dial and I am getting the good leads and all, so why would I actually go off. I understand the point that 10%-12%, the business mortality is there and hence they will not come back. So why would I go off and if I even go off and where would I go off? So who are my competition in this space where my customers may be moving actually. I don't find any.

- V.S.S. Mani:** Okay, one by one let's take it. Mortality of companies not in our hands, not in the hands of the person who is running the business. Business is shut down. 18% of businesses won't be there next year, 18%. So you cannot really renew those contracts. So that's the reality and the other reality is that SMEs by nature are not as rationale or as analytical as you and I are. They take random decisions. There are multiple people taking a decision in the business. One, son takes the decision, the other brother will shoot that idea next year. So it's like a thing which you have to deal with. So that's the reality which is they don't use analytics to really kind of take their business to the next level. So if these two things are just not completely in our hands, this is how it's been for the last 20 years actually since the time we have been running this business and it will be no different in any part of the world. SMEs behave pretty much the same in every part of the world. SME mortalities are also pretty much the same. So that is where we don't have to really worry about this particular thing which is it's been there for the last so many years.
- Nikhil Jain:** Okay, fair enough. Thank you. Thanks a lot.
- V.S.S. Mani:** 10% to 15% could be genuinely not satisfied with the kind of return on investment that they got. Probably they were not converting the leads. They got the leads but they are not good in conversion, the competition was smarter, you know, many such things are possible but then again it is a business thing.
- Nikhil Jain:** Sure. Right. Thank you. Thanks a lot.
- Moderator:** Thank you. We have the last question in the queue from Arya Sen from Jefferies. The line is unmuted.
- Arya Sen:** Yeah, hi good evening guys! Firstly if you could remind me so when you say top tier 2-3 cities, how many would that be that your monetizing or getting listings out of currently and is there a number of cities that you have in mind?
- Abhishek Bansal:** See tier 2, tier 3 cities broadly it would run total into more than 200 cities. So top 11 is one bucket that we define that beyond that is the rest tier 2, tier 3 but one thing to understand that is even in tier 2, tier 3 there might be geographies where the number of listings that are present are particular manpower present on the ground might be very low. So for example in may be Baroda might require me to put say 15 feet on street but today I might have deployed only 5. So it's not that those particular territories are also fully monetized at this point of time.
- Arya Sen:** Understood, but I mean out of the 200 cities that you talked about, how many would be which are not at all covered by listings and secondly are there any which are not at all covered by sales?
- Abhishek Bansal:** No in terms of listings, I think we would be covering most of the towns, cities, total there are I think about 18,000 PIN codes in India. We would be having some listings or the other in those particular PIN codes. Again in tier 2, tier 3, the extent of comprehensiveness might be low so out of the 80 million if there is a

universe of listings, we only have 25 million. So 65-70% is yet to come online and a good portion of that will be from tier 2, tier 3 cities.

Arya Sen: And what about sales monetization? Wherever you have listings are already monetizing or is there a gap in that?

Abhishek Bansal: No there are a lot of cities where tier 3, tier 4 towns where we might still have not deployed manpower. So as and when a particular branch has managerial bandwidth, they keep deploying because for deploying manpower, we do need a local team lead or a local manager also to be stationed. So as and when we have that managerial capabilities, we expand into those particular cities.

Arya Sen: Right and you talked about 46% of the campaigns coming from these. So what's the listing count?

Abhishek Bansal: Listing count broadly would be about 50% or so. 50% in tier 1, rest 50% in tier 2-tier 3.

Arya Sen: Okay. So the conversion is not too bad as of now.

Abhishek Bansal: No.

Arya Sen: Understood. And lastly any plans on larger pay out given the amount of cash you have?

Abhishek Bansal: See the larger pay outs as of now as I understand could be by way of any special dividend or something but considering tax implications we would want to go primarily through buyback route. So the next buyback can't be earlier than after a period of one year. So at that point of time board and the company will evaluate what's the best use of cash that the business has generated.

Arya Sen: Understood. And sir one more question. You know the 90% plus of browser based traffic that you talked about, what's the split between direct people entering Just Dial versus Google search.

Abhishek Bansal: Of the total traffic broadly, one-fourth comes directly to us and three-fourth comes via other search engines.

Arya Sen: Okay, thanks. Thanks so much.

Abhishek Bansal: Thank you.

Arya Sen: That's all from my side.

Moderator: Thank you sir. We have the next question from Nikhil Jain – individual investor. The line is unmuted.

Nikhil Jain: I just had one more question actually. I just wanted to know if Just Dial, when they are listing anybody, are they doing any quality check or sanity check on that particular SME or supplier or the person? Let's say if we have four or five people in the same industry from the same place who are advertising or doing the

listing on Just Dial. So do you do any quality check or it's only based on what's the kind of advertising that that person wants and hence the price that he is paying and he is put on top?

Abhishek Bansal:

See two-three things happen here. One, our particular feet on street when they actually visit these particular businesses, they actually click pictures of these particular businesses. These pictures one day act as a sort of verification check. Second they also help us gather geocodes which is the physical latitude, longitude of these particular businesses. Secondly, there is a database of 91 million mobile verified ratings and reviews that we have. So even if there is a business who is not providing adequate service, even if they were to pay to Just Dial, they would end up getting weak ratings which would result into users not actually availing services from them. There are filters and sorting options that are available for users for easy use. In any case, today 92%-93% traffic comes on our internet platforms where it is very easy for a user to scroll down in case they find ratings of particular listings are not appropriate.

Nikhil Jain:

Okay. If there is a consistent user feedback which comes in about a particular service provider which is inadequate, then do Just Dial remove or let's say they keep it down in the ratings?

Abhishek Bansal:

Yes, so in case there is consistent...suppose we get user complaints about any particular problems with any vendor, we do take off those particular listings post our internal evaluation.

Nikhil Jain:

Okay, fine. Yeah, thank you. That's all.

Abhishek Bansal:

Thank you.

Moderator:

Thank you sir. We do not have more indications from the participants. I would like to turn the program back to you for the final remarks.

Abhishek Bansal:

Thank you everyone for joining us. As we have mentioned earlier, focus continues on keeping our focus on core search which has enormous room to keep growing. In case you have any queries, please do reach out. We will do our best to address. That's it from my side. Thank you.

V.S.S. Mani:

Thank you.

Moderator:

Thank you panel members. Thank you speakers. Thank you participants. That does conclude the conference call for today. Have a wonderful evening ahead. Thank you and have a nice day!

V.S.S. Mani:

Thank you.