Nomura Financial Advisory & Sec (I) Pvt Ltd.

"Just Dial Ltd Q1 FY 20 Investors call"

July 23rd, 2019

SPEAKERS:	**Management, Just Dial Limited**

Moderator: Very good evening ladies and gentlemen. I am Sourodip, your moderator of this session. Thank you for standing by and welcome to the Just Dial Limited First Quarter Financial Year 2020 Earnings Conference Call. For the duration of presentation, all participants' lines will be in listen-only mode. We will then have a Q&A session after the presentation. I would like to now invite Mr. Rishit Parikh to take the session ahead. Thank you and over to you.

Rishit Parikh: Thank you Sourodip. On behalf of Nomura, we would like to welcome you all to Just Dial 1Q FY20 earnings call. We have with us Founder, M.D. and CEO of Just Dial Mr. V.S.S. Mani and also the CFO of the company Mr. Abhishek Bansal. Without further delay, I would now like to hand over the call to the management. Over to you guys.

Abhishek Bansal: Hi everyone. Welcome to Just Dial's earnings call for first quarter of fiscal 20. We'll quickly go through key financial and operational highlight for the quarter. Operating revenue stood at 240 crores which grew 13.6% year on year.

Operating EBITDA stood at about 64.2 crores for the quarter witnessing about 12% year-on-year growth. Adjusting for non-cash ESOP expenses operating EBITDA margin stood at 28.7% for the quarter. Now Ind-AS 116 accounting norms for leases have become effective 1st April 2019. Under the new accounting standard, these leases should be carried on the balance sheet as right-to-use asset and corresponding liabilities for rental payments need to be recorded. As a result, earlier we were booking rental expenses in our P&L under other expenses but now there is a depreciation in interest cost that is booked in P&L for those particular leased assets and liabilities that are created. Overall, against 6.5 crores of quarterly rental expense in 1Q we have booked depreciation of 5.3 crores and another 1.7 crores of interest cost. Operating PBT margin which is a more 'like for like' parameter for the quarter, stood at about 20.3%. Net profit for the quarter stood at 57.3 crores which was up about 49% year on year. This was aided by 31 crores of other income which was due to MTM gains that we had on our investment portfolio due to decline in bond yields during the quarter. Cash in investments stood at a healthy 1,397 crores as on 30th June. Coming to operating highlights, mobile traffic is growing at a healthy 36% year-on-year rate. Mobile unique users have now crossed 125 million on a quarterly basis. Overall including all platforms, despite the high base we were still able to grow at 25% year on year to about 156 million plus quarterly unique users. In terms of database, we added another 750 thousand net listings to our database and we now have about 26.5 million active listings in our database which was about 17% year on year increase. Database now comprises of about 67 million images. Coming to paid campaigns, paid campaigns at the end of the quarter stood at about 515 thousand as we added broadly 14.5 thousand new paid campaigns during the quarter. Inline with our strategy of getting SMEs on board across the country, both as pre-listing as well as paid listings, we have also been ramping our Feet on Street team. Our cold calling Feet on Street team is now about 4,400 member plus. Overall, we have continued to focus on core aspects of our business that is growing our traffic, improving our product, expanding our database, curating content, getting more SMEs into the paid ecosystem. This should help us in scaling newer heights in both top line and profitability going forward despite a challenging macro environment that we see especially for SMEs. We shall now open the floor for questions.

Moderator: Thank you very much. So ladies and gentlemen, should you wish to ask any question, please press 0-1 on your telephone keypad. I repeat participants should you wish to ask any question, please press 0-1 on your telephone keypad. We have our first question from Mr. Pranav Kshatriya from Edelweiss. Your line is unmuted. Please go ahead and ask your question and we also request to all the investors to kindly restrict them to keep in two questions at a time and come back in queue for further questions. Thank you and over to you Pranav.

Pranav Kshatriya: Hi. Thanks for the opportunity. My first question is this quarter we saw unearned revenue growth slowing down significantly. Any particular reasons which you would identify? Is it more to do with the macro? Is it more to do with any other reasons that would be helpful?

Abhishek Bansal: Hi Pranav. So, definitely the macro for SMEs is challenging. We do get feedback from our particular sales personnel where they would say that SMEs are not that comfortable paying the entire upfront amount, which a good proportion of them were paying so earlier. As a result, we have also shifted our focus on monthly payment plan so that our product is more affordable for SMEs. The idea is in the current tough macro scenario, we want that the number of paid customers or the sign up should continue happening which is reflected in continued addition in paid campaigns as well. So mainly a mix change of having more monthly payment contract was a result for unearned revenue to have a softness.

Pranav Kshatriya: How do you read the current macro? You expect, you know, there are certain things to improve to get back to normalcy? Are there weaknesses in a particular segment, particular geographies or it is all across?

Abhishek Bansal: See largely weakness obviously is across the board, though tier 2 and tier 3 cities continue to give decent growth to us. As far as specific pockets or categories are concerned, since we are extremely broad based, no single category contributes more than 3% to 4% of our revenues. So there isn't any sort of concentration per se. So the weakness at the SME level is mostly across the board. So we obviously cannot predict how long will it take for that recovery to happen. From our particular perspective, the idea is to have as many customers sign up with us as SMEs see value in continuing to invest with our particular platform and as and when macro improves that should help us exponentially gain at that point of time.

Pranav Kshatriya: Thank you. I'll come back in the queue.

Abhishek Bansal: Thank you so much.

Moderator: Thank you very much. We're moving to the next question. We have with us Mr. Arya Sen from Jefferies. Please go ahead. Your line is unmuted.

Arya Sen: Hey, good evening! Firstly, can you confirm that the collection growth this quarter on a Y-o-Y basis was minus 6%?

Abhishek Bansal: Yeah, if you were to actually back calculate basis unearned and accrued, so yes, what you mentioned broadly that would be the 6% impact Y-o-Y for the quarter.

Arya Sen: Sure and Abhishek last quarter you had mentioned that there was about 15 to 20 crore of collection which got pushed into this quarter. So if I sort of adjust for that, then that number would be even lower, right? Or is that again something got pushed into next quarter as well? How should I sort of look at it?

Abhishek Bansal: See, we sell our particular listing in two types of payment plans. One is the monthly payment plan where we collect only one or two months as down payment and the rest amount comes on a monthly basis via auto debit of ECS from the customer's bank account. Other option is customer can pay upfront. So if you were collecting say Rs.12,000 annual contract in upfront, in first quarter you will have that particular Rs.9,000 or Rs.10,000 as unearned revenue but if you were to collect in a monthly payment plan mode, then that complete 9,000 or 10,000 will actually come in future. So that particular mix also impacts that particular collection for the quarter. So ideally this particular trend in collections or unearned revenue is best seen on a slightly more long-term basis.

Arya Sen: Okay. And if I were to look at – sir I mean you've talked about how the sort of mix has changed towards more monthly payment. So I mean is there any sort of number you can share in terms of what has usually been the share of monthly payment contracts and how much it is swung in this quarter?

Abhishek Bansal: So typically 30% to 35% is our historical average that we have for monthly payment customers. In last couple of quarters, it had gone down in the range of about 26-28% or so and in June quarter we have tried to bring it back to about 36-37% levels.

Arya Sen: And all this is as a percentage of revenue.

Abhishek Bansal: All this is yeah largely as a percentage of revenue.

Arya Sen: Okay. Okay, yeah. Thanks. That's all from my side. Thank you.

Moderator: Thank you very much Mr. Sen. Before we move onto further questions, I would like to invite the participants for any questions. If you wish to ask any question, please press 0-1 on your telephone keypad. Thank you. We have the next question from Mr. Niket Shah from Motilal Oswal. Please go ahead. Your line is unmuted.

Niket Shah: Yeah, thanks for the opportunity. I had couple of questions. First is, you said you had an annual contract as well as monthly and weekly contracts. Do you have more than one year contract like a two-year, three-year, four-year kind of contracts as well that you've launched?

Abhishek Bansal: For very select set of categories, we do have an option where the customers can actually pay for a longer than one year duration.

Niket Shah: Okay and how much would that be today as a percentage?

Abhishek Bansal: Out of the total about 400 crores of unearned revenue that we have, that component is not more than 32-33 crores.

Niket Shah: Okay, got it. And again very basic question is if you have a paid subscriber who has say 10 centers across India, would that be taken as one paid subscriber or 10?

Abhishek Bansal: In case you have 10 separate outlets, you will be considered as 10 separate campaigns.

Niket Shah: Okay. Okay. I will take that off. Okay no worry.

Abhishek Bansal: Just to clarify, suppose you are Mainland China restaurant and for that particular restaurant you take up a particular paid listing in four different areas, it will continue to be one campaign but if Mainland China subscribed for a paid listing for four of its separate outlets, those will be four separate campaigns.

Niket Shah: Although the payment is done by the Mainland China itself, it would still be taken as four separate outlets. Is that understanding correct?

Abhishek Bansal: Sorry.

Niket Shah: I'm saying that if Mainland China has given you say 'x' amount of money for four outlets, it will be taken as four outlets and not one outlet or not as one paid subscriber, will be taken as four paid subscribers.

Abhishek Bansal: Yes, it will be taken as four paid subscribers.

Niket Shah: Okay, perfect. Thank you so much.

Unknown Speaker: What's the average per customer – campaign per customer? 1.2, 1.3?

Abhishek Bansal: Average campaign per customer is about 1.2. So against about 515 thousand campaigns that we have, unique customers broadly would be about 430 thousand or so.

Niket Shah: Okay, got it. Got it. Perfect. Thank you so much.

Abhishek Bansal: Thank you.

Moderator: Thank you very much. We have the next question from Mr. Vijit Jain from Citi Group. Please go ahead. Your line is unmuted.

Vijit Jain: Yeah hi. Just a quick question on the Ind-AS related changes. So when I add back the Rs.65 million odd onto your operating and other expenses, I see that, you know, just for a like-to-like comparison with the previous quarter, I see that there is a decent jump in that line item even though I think you said your advertising cost for the quarter were like 17-18 crore on the TV I think. So just some sense on how that would look going forward? Thanks.

Abhishek Bansal: So advertising spend for last quarter was about 19 crores and for previous quarter, March quarter was about 17-17.5 crores.

Vijit Jain: All right. Okay. So coming back to that Ind-AS question, so assuming that the impact that you had on your above EBITDA line and on your depreciation, amortization and finance expenses is the trend rate that we will see going forward?

Abhishek Bansal: Okay, so the way it works is that for leases that are greater than one year pending those particular leases come on to our particular balance sheet, on an average we have around 2.75 to 3 years left in our particular pending leases. For these particular leases, the depreciation on leased assets that you see on a quarterly basis that should largely remain same. The reason for that changing could be in case we add to our particular rental properties in future. On the interest component during the initial year, the interest expense booking in P&L is slightly higher and it will reduce as the tenure goes forward. So again 6.5 crores of rental expense, depreciation plus interest cost was about 7 crores or so. So 50 lakhs is the impact at PBT level which should result in the second half of the remaining lease tenure but by and large for your particular understanding this 6.5-7 crores is the run rate that you can assume for now.

Vijit Jain: Okay. And I have one final question. I see you added about 900 odd employees in this quarter. Could you give a sense of where these Feet on Street were hired? Is this, I mean the share of may be new cities or geographies in the tier 2, tier 3 cities and in the metro cities et cetera. So any kind of color on where you are hiring these people? Thanks.

Abhishek Bansal: So bulk of the hiring is happening in tier 2, tier 3, tier 4 cities. So there are many cities where compared to the population as well as the count of SME data that is there in those particular cities, our penetration is much lower. So in all those cities we are trying to expand our presence and this is not specifically restricted to certain cities or states.

Vijit Jain: Okay. Thank you. Those were the questions. Thank you so much.

Abhishek Bansal: Thank you.

Moderator: Thank you very much Mr. Jain. Moving to the next question, we have Mr. Chirag Patel from Bhavesh Investments. Please go ahead.

Chirag Patel: Sir, basically I missed the initial commentary by the management. I would like to know the quantitative data like what was the revenue contribution for top 11 cities in tier 2, tier 3 cities?

Abhishek Bansal: Tier 2, tier 3 cities for last quarter contributed about 29% to revenue and they now contribute almost 50% to our overall campaigns.

Chirag Patel: 50%. What was the revenue contribution for this particular quarter?

Abhishek Bansal: 29%.

Chirag Patel: 29%. Okay and campaign was 50%.

Abhishek Bansal: Yes.

Chirag Patel: Okay and sir if you can provide the data regarding what was the ESOP expense for the particular quarter?

Abhishek Bansal: That was about 4.6 crores.

Chirag Patel: And we are going to see the same trend for the whole year?

Abhishek Bansal: ESOP expenses broadly should be in the range of around 5-5.5 crores a quarter.

Chirag Patel: Okay and sir other than this, were there any increase in the market size like in Q4 you have mentioned that 65 million are the SMEs and 15 or 20 million are the freelancers? So were there any increase in the market size or is it still the same?

Abhishek Bansal: So that particular market size we also typically get to know from various government reports, annual reports, etc. So by and large, that we get to know on an annualized basis, the last number that we are aware is around 60-65 million SMEs, another 15-20 million freelancers which is our particular assessment. So no significant changes to that as per our knowledge.

Chirag Patel: Okay. Are we going to provide dividend or if we are going to continue with the buyback?

Abhishek Bansal: So the last buyback got concluded in Jan this year. The earliest proposal can be taken up in Jan 2020. So at that point of time the board will take a decision on how the capital allocation needs to be done.

Chirag Patel: Okay. So what was the retention in this quarter?

Abhishek Bansal: We typically look at a long-term rate. So the long-term rate is fairly steady at about 56-57% when we look at one year retention rate.

Chirag Patel: Okay. Sir other than this, what was the employee churn rate?

Abhishek Bansal: That I will have to check and come back to you.

Chirag Patel: Okay. So have we -- other than this, have we add on any particular costing to the bundle product which we are selling to the customers or the vendors, or any other hike in price?

Abhishek Bansal: So our particular pricing is dynamic in nature depending on the category for which the SME wants to advertise and depending on the geography they want to cater to. The pricing is automatically determined by the system. System algorithm also takes into consideration what the recent traffic trends have been. So it's a dynamic algorithm that we have for our premium listings. For non-premium listings, we have base price which again is customized at a category level. Above that particular base price, SMEs can choose to pay whatever amount they want and basis whatever each of the SMEs are contributing for that particular category, they get visibility in the order of highest to lowest.

Chirag Patel: Okay. Sir I'll join back the queue. I have some more questions.

Abhishek Bansal: Thank you so much.

Moderator: Thank you very much. We have the next question from Mr. Prince Poddar from JM Financial. Please go ahead.

Prince Poddar: Hi Abhishek. Hi V.S.S. Mani. Just two questions both on unearned revenue. Basically the first question is if I heard it…

Abhishek Bansal: Sorry your voice is very low.

Prince Poddar: Hi, can you hear me now?

Abhishek Bansal: Yes, better.

Prince Poddar: Yeah. So okay my both questions are on unearned revenue. Basically, first question is if I heard correctly the share of monthly payments have gone up from 28 odd percent to 36 odd percent in this quarter. Is that correct?

Abhishek Bansal: Yes.

Prince Poddar: Okay so basically if I understand correctly 8% change in monthly transactions from probably in yearly transactions has resulted in a change of 17 odd percent in the unearned revenue growth. Is that the kind of correlation we have between monthly payments and unearned revenue?

Abhishek Bansal: It is not exactly right to actually correlate that because it also matters what is the total quantum of selling that we are able to do. So it will be a factor of both what is the total monthly plus upfront payment contracts that we are able to sell and within that the mix impact as well.

Prince Poddar: Okay. And so basically just an add-on to that question, if let's say, rather than going for an yearly contract I went to you and asked for three contracts for three months say April, May, June. So it will be counted as three campaigns, right? Three paid campaigns.

Abhishek Bansal: No, so if you sign up, you cannot ask for three specific contracts. It will be a single contract that you will sign irrespective of whatever is the period. So if you want to opt for a monthly payment plan, we will say that okay you can pay one month or two months of down payment and then we take a ECS mandate. That particular mandate is submitted to the bank. Once it is verified, then on a monthly basis your particular amount gets auto debited and it is all one single campaign.

Prince Poddar: Okay. So essentially the number of paid campaigns won't be impacted by a monthly or yearly contract.

Abhishek Bansal: No, no. However, what typically happens is that if you sell on a monthly payment plan, since it is more affordable, there is a likelihood that more number of customers shall buy your product.

Prince Poddar: Yeah, that's correct. That's correct. My only concern is on the unearned revenue because the number has gone down significantly. One reason, of course, we can understand is nine months or three-fourth of some of the contracts have been gone because they're not paying us for one year but that's a huge jump – I mean from 22 odd percent last year…

Abhishek Bansal: That particular money is likely to come in future on a monthly basis rather than coming and sitting on our books today.

Prince Poddar: Okay. So would we see this unearned revenue growth to probably catch up to a 15-16% rate going ahead because then that would essentially mean what your growth is going to be in the next quarter [indiscernible]?

Abhishek Bansal: See from our particular perspective we are not that specifically focused that where the unearned revenue growth goes. For example, if I were to sell everything on a monthly payment plan, technically deferred revenue can potentially be zero because whatever you are getting from the customer in that particular month that is being consumed as revenue and the company can still be growing at a healthy rate but obviously we would ensure that we want to have a healthy mix of customers paying us for full year versus affordability for new incoming customers. So overall we'll have to see how unearned revenue pans out going forward.

Prince Poddar: Okay, okay. That's all from my side. Thank you.

Abhishek Bansal: Thank you.

Moderator: Thank you very much. Before we move onto further questions, I would like to repeat participants should you have any question, please press 0-1 on your telephone keypad. I repeat it's 0 and 1 on your telephone keypad to ask any questions and we have Mr. Pranav Kshatriya from Edelweiss again for a follow-up question. Please go ahead. Your line is unmuted.

Pranav Kshatriya: Sir the slowdown versus how do you see tackling the margins because despite low teens kind of a growth, we're not really seeing a margin expansion coming through. So just wanted to know how should we see this if the revenue growth remains below 15%?

Abhishek Bansal: See Pranav on the margin side, the adjusted EBITDA margin excluding ESOP was about 28.7% for the quarter. Even if I were to take the rental expense into considerations, still it was about 26-26.5% or so which I think is fairly healthy at this point of time especially considering that we are investing into expanding our particular Feet on Street team substantially. So the payroll cost which is the biggest cost item that grew about 13.5-14% year-on-year despite about 11% increase in total strength of employees. So considering regular wage hikes as well as addition of people, we are able to control that. Once we see slight more pick up in revenue, at that point of time operating leverage should come into play. In our historic year say 4-5 years back when we did our IPO at that point of time, we were at about 30% EBITDA margin but top line growth was also 25-27% or so. So considering we are near about that range with a much higher advertising spend and at just about low teens kind of revenue growth rate, I think margins are fairly decent at this point of time.

Pranav Kshatriya: Okay and my second question is on the [indiscernible] structure. So I understand that you can't give clarity on whether you'll do a buyback or anything like that but wanted to understand whether you continue to believe that you have enough cash on the books and all the incremental cash generated will be returned to the shareholders considering not so much [indiscernible] on the cash.

Abhishek Bansal: Yes, so considering we have about 1,400 crore cash on books and the business is generating healthy free cash flows, we do continue to believe that a good proportion of the incremental free cash flow should be shared back with shareholders. Whatever be the mode irrespective of whatever is the tax regime, I think those considerations are secondary. So at appropriate time board should take a decision on this particular capital allocation.

Pranav Kshatriya: Okay, thank you. That's it from my side.

Abhishek Bansal: Thank you.

Moderator: Thank you very much. We have the next question from Mr. Yash Agarwal from JM Financial. Please go ahead.

Yash Agarwal: Hello. Hello.

Abhishek Bansal: Yes please go ahead.

Yash Agarwal: Yeah, can you give some sense of guidance on how the paid listings will grow for the rest of the financial year given that there is some slowdown in the SME and the overall economy? So what is your sense of the overall paid listings? How do you see that growing?

Abhishek Bansal: Hi Yash. Firstly, from our particular perspective, the objective is mainly to maximize overall revenue growth which obviously has two levers, one is campaigns as well as the realizations. We are taking steps to ensure that the key inputs, which is the traffic growth, should be strong. More users should be using the product, we should be adding to our Feet on Street team, which is getting us good results. So all those are being focused upon, and the output in terms of campaign growths, etc. should follow. Like last three quarters, we have been able to add 14-15,000 on a quarterly basis. Four quarters back we were at broadly 450 thousand campaigns. We are now at about 515 thousand plus. So paid campaigns are coming through at this point of time and with our steps of adding more Feet on Street, I think that sort of trend should continue.

Yash Agarwal: Sure. I see the volumes have been growing pretty decently in past few quarters. What are the steps that we can take to grow the realization? It seems that a lot of growth is coming from the tier 2, tier 3 cities, where I believe the realization would be lower. So how do you see that catching up the realization also growing or are you satisfied with the volume growth that you've been reporting?

Abhishek Bansal: See it's a fine balance that we have to ensure. So, realizations as you also mentioned, that ideally they should be on a year-on-year as well as sequential decline considering tier 2, tier 3 cities are gaining their particular share but on the other hand since the traffic is panning out very healthy, that results in some particular price increase coming through in our premium listings which is what is able to offset that embedded price decline. So at this point of time revenue growth is more driven by volumes rather than realizations. In our premium listings, we obviously try to ensure that we get as much realization benefit as possible but at the same time be conscious that the product itself should be high return product for the customer.

Yash Agarwal: All right. And, you know, is there any other way to monetize these active users apart from these paid campaigns? Is there any medium that you guys have thought about or is there anything in the plans?

Abhishek Bansal: So at this point of time our particular complete monetization happens from SMEs. So our belief is that continue to give wonderful products for free for the users and monetization primarily especially from SMEs is the best way. In case there are any other avenues for monetizing the user base itself, we shall look at appropriate time.

Yash Agarwal: Sir lastly just on this capital allocation, so you mentioned to the previous participant's question that incrementally free cash flow you look to return back to the shareholders but your starting base of about 1,400 crores, that itself is pretty substantial. So is there any acquisition planned or any major investment or what is the idea? What I am trying to understand, how will the minority shareholders benefit from this huge chunk of cash that you hold because that is sort of depressing the valuation also of the stock?

Abhishek Bansal: See, so for last about three-four years we have been returning money to shareholders primarily via buyback. Buyback rules require maximum only 25% of paid up capital plus free reserve. So last year when we did the buyback that limit was coming to 227 crores against which we returned 220 crores. So primarily at that point of time, we were constrained more by that particular buyback limit. We definitely want to have a good chunk of treasury on our particular balance sheet to ensure that we do have a decent war chest in these particular disruptive times. Despite that, business obviously is generating a good amount of free cash flow. So we'll take a call with the board at appropriate time on how much quantum should be returned back and via what mechanism.

Yash Agarwal: All right, sure, sure. Thank you. Thank you.

Abhishek Bansal: Thank you.

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

Shaleen Kumar: Hi Abhishek and apologies for background noise. See, again coming back to the same point of the change in plan from subscription plan. Do monthly plans bring down the stickiness of the customer as they move from quarterly or biannually to a monthly plan and second is there something of a minimum guarantee we are asking from them when we are shifting them to monthly plan. That's the first question.

Abhishek Bansal: See two things happened. One, obviously when you talk about stickiness, we cannot obviously force our customers to continue sticking with us. We would want the strength of our product to result in customer continuing to pay us. Secondly the key advantage of monthly payment plan is that there are customers who might not even be trying our particular service with a thought process that okay they will have to pay for 12 months for upfront. So with a particular focus approach on monthly payment plan, you get a lot of such particular customers as well into the paid ecosystem which can eventually turn out to be long-term customers for you. So it's a mix of both that sort of tend to take place.

Shaleen Kumar: So no minimum guarantee basically. It's like a trial pack for a month kind of thing.

Abhishek Bansal: No, so the way it works is we do educate our particular customers that for the best return on our particular services, they should actually continue for at least 6 to 12 months kind of period. They have to pay a particular down payment which can anywhere vary between one to three months and then we also mandatarily sign a ECS mandate which we present to their particular bank.

Shaleen Kumar: Okay, sure. Isn't that short-term plan should be premium but that's not reflected in the realization?

Abhishek Bansal: So actually the way it works is that in case you want to pay upfront for a period of entire one year then you do get 10-12% discount because you are paying one shot. That particular impact anyway is not very material. I mean to be able to gauge realization impact due to that particular component, that will not be that material.

Shaleen Kumar: Can you shed some light on the year on year same product realization, are they like stable? Are you taking some price increase?

Abhishek Bansal: So as I mentioned earlier that two types of listings, we have premium, non-premium. In premium listings, definitely for our particular top categories which are seeing good amount of traffic tractions, there are inbuilt growth rate which are linked to the kind of growth that we see in traffic. For non-premium listings, we try to ensure that the entry-level pricing should be linked to affordability. So may be a packers and movers, they would require to pay say around Rs.3000 a month whereas a duplicate car key maker they could come in at Rs.750-900 a month plan as well.

Shaleen Kumar: Okay. Got you. Got you. All right. Thank you so much. That's all.

Abhishek Bansal: Thank you.

Moderator: Thank you very much. We have the next question from Mr. Chirag Patel from Bhavesh Investments. Please go ahead.

Chirag Patel: Sir seems like top 11 cities campaign has not been growing from last three years and even in the revenue contribution team, all the increase is coming from tier 2, tier 3 cities. So what kind of problems are we facing over there?

Abhishek Bansal: See tier 2, tier 3 cities definitely they are contributing to much higher growth. In tier 1 cities like two sales channels we have, one is the telemarketing assisted channel wherein our particular telemarketing person sitting out of our particular office makes outbound call to SMEs. Now they are obviously, with the coming of various apps which are able to identify the sales or marketing related calls, it has slightly become more challenging to reach out to SME plus the product in itself is becoming more of a show and tell product. Say four-five years back it was very easy to simply qualify SME and say that okay you pay Rs.10,000 annually and from tomorrow you will start getting SMS with user inquiries but today I need to actually do a demonstration to that particular SME educating that paying to Just Dial is probably half the job done. They have to ensure that they get good ratings from their particular customers. They keep their listing as enriched as possible because on an internet platform those particular factors are key to decision making of a user. So that is where our particular Feet on Street cold calling team is turning out to do well.

Chirag Patel: Yes, we can see that. You have been recruiting a lot from last couple of couple of years. So how are you going to improve this thing like again contributing a middle single digit growth in tier 1 cities? So how is it going to be possible now?

Abhishek Bansal: So in tier 1 cities as well, there are certain newer initiatives that we have in pipeline which should help us deliver better sort of experience to our particular customers and if we are able to do that, that should help us be able to monetize that particular inventory much better. So let us see some of those particular initiatives are underway. They should have a positive impact in coming quarters.

Chirag Patel: Okay. So for future like for next three years, the revenue contribution for tier 1 versus tier 2, tier 3 cities going to be around 50-50%?

Abhishek Bansal: See revenue contribution tier 2, tier 3 at this point of time is about 29 odd percent and since the geography is too huge which is currently untapped, these particular territories definitely are expected to continue growing their particular share in overall revenue going forward. At this point of time they are gaining about 1.5%

a quarter. So probably that kind of trend should continue for next 8 to 12 quarters at least.

Chirag Patel: Okay. So like now for this particular quarter we can see the jump in campaign for tier 2, tier 3 cities are like above 8% now. So in coming forward quarters for this particular year should we see that it is going to be in the same trend or it is going to come down to again medium term digit like 6-5%?

Abhishek Bansal: We will have to see how it pans out. As I said earlier, we are ensuring that we expand our particular team. So even in tier 1 cities, there is some particular addition to Feet on Street that does happen. So let us see if that can pan out in terms of campaign growth in those geographies.

Chirag Patel: Okay. So coming to the particular application, what percentage of engagement is coming from the JD app for this particular quarter?

Abhishek Bansal: So in terms of overall downloads if we see we have reached about 25 million cumulative app downloads. On a daily basis, we had about 13-14,000 downloads that we saw on a daily basis and almost all of them are organic in nature meaning we do not pay for any of these particular app installs.

Chirag Patel: Okay. So are we seeing more traction coming to application or is it still the mobile internet?

Abhishek Bansal: See in terms of our particular traffic, it is mobile internet or mobile web that continues to dominate and as we have discussed in the past as well, the key reason being that the interface that we have on mobile internet and our app that is almost a replica of each other and with intermittent internet connectivity that we see at times in fact the mobile web view tends to be much faster. So our particular product user sort of needs this product where a user might not want to download an app at that point of time but we want to ensure that they end up taking information from our platform. So we are platform agnostic, doesn't really matter which specific platform user takes the information from.

Chirag Patel: Okay. So in Q2 FY19 you made a commentary regarding the android application that you are going to come up with which will help you make more engagement through application. So is it still on or it has come or how is it processing further?

Abhishek Bansal: So if you see on our particular mobile platforms including mobile web as well as app, there are continuous product improvements that were taking place. The newer version of the android apps are expected to be out soon which will have much better interface both for searching specific listing or a particular category. So those particular improvements are a continuous process. At the same time, there is a lot of effort in terms of getting more and more enriched data which will obviously enhance value proposition of those particular listings for the user.

Chirag Patel: Okay. Sir in like FY17 we came up with JD Omni and in FY18 you said that it is not making much of a revenue for you. So is it panning out in FY20 you're coming again with JD Omni and increasing your revenue from that particular part because it was quite promising at that time and it didn't turn up the way the company wanted it to? So what is your look at it?

Abhishek Bansal: So JD Omni last 2.5-3 years we have spent considerable time and effort in fine tuning that particular product. That product at this point of time has shaped up pretty well. It's the same team that also works on creating automated websites for SMEs which are transaction enabled, mobile friendly. Those particular websites we also provide to our particular SMEs by bundling with our core listing product. As far as specifically JD Omni is concerned, we are internally contemplating how we want to take it to the market. Last time we did it through our particular existing sales force but JD Omni slightly requiring a more technical expertise. So we will see whether we put a dedicated team for the same.

Chirag Patel: Yes. The experience related to booking a cab does not compare to any other app like Ola and Uber. So might be there is a problem. How are we going to include the JD Maps thing like which is of our own company?

Abhishek Bansal: See we first of all have to understand that we are a horizontal, right? So the kind of user experience a horizontal provides in certain specific categories could be different from what a vertical specialist might have. Secondly, we have a philosophy that we want to make sure that whatever business we run has to be run with unit economics in mind, with profitability in mind. So our particular core bread and butter business which is searching for any particular category or business across the board, that obviously got strength. There are several other particular products which are fine tuned from time to time which should help in our particular core search capabilities itself. So that is a sort of ongoing process. We don't want to commit a significant amount of resource to a specific niche sort of product within our particular app where we realized that may be the monetization potential is not that much at this point of time.

Moderator: Mr. Patel, I would request you to kindly come back in the queue for further questions. Moving to the next question, we have Mr. Vijit Jain from Citi Group. Please go ahead.

Vijit Jain: Yeah, hi. Thanks. My questions are actually answered in the previous question itself. So thank you.

Moderator: Thank you very much. So Mr. Patel is there in the queue for the follow-up questions.

Chirag Patel: What is the actual number of active participants or vendors which are listed right now because you see there is a mortality rate too and even as we see the cumulative increase in active participants but they actually are not active. So do you have any kind of data regarding to that?

Abhishek Bansal: So in our particular case as and when we realized that a particular business is actually shutdown after a certain time period that particular listing goes out of the database. So the 26.5 million listings that you see those are active listings, active businesses that are there on our platform.

Chirag Patel: Okay. So there is not – okay I got it. Other than this, you have any kind of data regarding the uninstall rate of application?

Abhishek Bansal: That I will have to check but last when we checked about few quarters back what we had figured out at that point of time that our uninstall rates were almost at par or slightly better than what typical comparable industry rates were.

Chirag Patel: Okay. So how are you pacing on what you think about the competition coming ahead like there are players entering into market too and how do you feel the competition is going to go in future?

Abhishek Bansal: See in terms of competitive intensity, obviously there will be clear that will continue to come into may be a small niche vertical but at the same time these days we also hear that some of these particular existing players are facing pressures in terms of profitability. We hear news of layoff in terms of employees, etc. From our particular perspective, we try to make sure that we focus on our particular three matrix which is get our traffic growth to continue at a healthy 25% year on year that should into a decent revenue growth and good healthy 25% to 30% margins as well. So if we are able to execute on these three continuously, I think competition et cetera will automatically get taken care of.

Chirag Patel: Okay. So what kind of growth are we expecting for FY20 like we have posted great numbers in Q1? Is it going to sustain for next three quarters leading to a complete revenue from operations about 1000 crores for the quarter?

Abhishek Bansal: See as I mentioned earlier as well, difficult to exactly point how things will pan out. So there are multiple factors that come into picture, a lot of them are obviously external as well. The internal parameters we are trying to ensure that we expand our particular Feet on Street. We get our product and pricing right. So those particular efforts are underway. Now what exactly it results into whether it results into current rates of revenue growth for the full year et cetera, those will have to probably wait for quarters and see what's the outcome.

Chirag Patel: Okay, like we are seeing this growth in tier 2, tier 3 cities.

Abhishek Bansal: Sorry, please come again.

Moderator: Sorry to interrupt. Before that Mr. Patel, I would request you to kindly take the last question as we are reaching at the time. Thank you.

Chirag Patel: Okay. Sir so can you please give what kind of retention rate do we have particularly in tier 2, tier 3 cities because as we are seeing a growth is coming over there and they are more onto monthly basis payment and not onto upfront. So what kind of bifurcation is there?

Abhishek Bansal: No, it is not the case that tier 2, tier 3 customers are more on monthly payment plan contracts. So they have reasonably similar sort of proportion that would be there otherwise. In terms of retention, in tier 2, tier 3 retention rates are slightly better because these are the territories where we entered much later and we entered with our particular internet strategy itself. So against average 56-57% that we have landed, these particular geographies could have 2-3% better annualized retention rates.

Chirag Patel: I would mail sir certain questions which I have for you personally and to get the answers because the time is over. So thank you so much sir.

Abhishek Bansal: Sure, definitely.

Moderator: Thank you very much. I would like to call the management for any final or closing comments.

Abhishek Bansal: Thank you everyone for joining us. In case you have any further queries, please do reach out. We will do our best to address. That's it from our side. Thank you.

Moderator: Thank you very much. I would like to thank all the investors who joined us today and the management from Just Dial. That does conclude the conference call for today. Wish you all a great evening ahead. You may all disconnect your lines now. Thank you very much.