



Nomura Financial Advisory & Sec (I) Pvt Ltd.
"Just Dial Ltd Q2FY20 Earnings Call"

October 22nd, 2019



SPEAKERS:

Management, Just Dial Limited

Moderator:

Ladies and gentlemen, a very good evening. Thank you for standing by and welcome to the conference call for Q2 FY '20 Just Dial Limited Earnings Calls. During the entire course of presentation, all participants' lines will be in listen-only mode. Later, we are going to connect you with a question-and-answer session, and instructions on how to participate will follow at that point of time. I would like now to hand over and welcome this team's speaker, Mr. Rishit Parikh. Mr. Parikh, welcome to the program. We are now ready to begin.

Rishit Parikh:

Thanks, Rudy. So, on behalf of Nomura, we would like to welcome you all to Just Dial's 2Q FY '20 Earnings Call. We have with us the Founder, MD 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 second quarter of fiscal '20. We'll quickly go through key financial and operational highlights for the

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quarter. Operating revenues stood at INR 242.6 crores, which grew 9.7% year-on-year. Operating EBITDA stood at INR 67.2 crores for the quarter, witnessing 17% year-on-year growth. Adjusted for ESOP expenses, operating EBITDA margin stood at about 29% for the quarter. As we discussed last quarter, Ind-AS 116 accounting norms for leases has become effective 1st, April 2019, under which leases should be carried on the balance sheet as right-to-use asset and corresponding liabilities for rental payments need to be recorded. Overall, against INR 6.2 crores of quarterly rental expense, in second quarter, we have booked depreciation of about INR 5.1 crores and about INR 2.2 crores of interest cost. Net-net, PBT for the quarter was lower by about INR 1 crores versus the erstwhile standards were to be applicable. Net profit for the quarter came in at about INR 77 crores, which was up about 59% year-on-year. This was aided by INR 44 crores of other income that we had, which was robust due to MTM gains on our investment portfolio, caused by decline in bond yields during the quarter. Cash and investments stood at INR 1,468 crores as on 30th, September 2019. Coming to operational highlights. The mobile traffic is growing at a healthy 29% year-on-year rate. Mobile unique users have now reached about 130 million on a quarterly basis. Overall, if you include all the platforms, we were able to grow at a healthy 23% year-on-year to about 161 million unique users. We added another 1.1 million listings to our database, which has now reached to about 27.6 million active listings, a 16% year-on-year increase. In last 10 quarters, we have added net about 10 million listings to our database from 18 million to about 27.6 million now. 55% of the database stands geocoded, and we have about 73 million images in our database, which shows the extent to which the database stands enriched. Paid campaigns at the end of the quarter stood at approximately 529,000, as we added about 13,600 campaigns during the quarter. While the economic environment has been obviously challenging over last few quarters, especially on the SME side, we are ensuring that core aspects of our business remain healthy. The product is seeing continuous improvements due to which traffic is growing at a very healthy rate. On monetization, paid subscribers are increasing at a reasonably good pace. On the margin front, tight cost controls and focus on productivity have ensured that profitability is adequately protected. We shall now open the floor for questions for further discussion.

Moderator: Mr. Rishit, do you want to go ahead with the question-and-answer session?

Rishit Parikh: No, I think you can go ahead.

Moderator: Ladies and gentlemen, I would request you, if you wish to ask any question, please press 0 and 1 on your telephone keypad. Repeating and requesting again ladies and gentlemen, if you wish to ask any question, please press 0 and 1 on your telephone keypad. Mr. Rishit, the first question is coming up from Pranav Kshatriya. Line has been unmuted, please go ahead with your question.

Pranav Kshatriya: Hi, thanks for the opportunity. My question is, we have seen some decline in the employee count. Can you please elaborate what's exactly the strategy around it? And secondly, the deferred revenue growth has decelerated even further. What

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is the outlook on that? And how should we see this translating into the revenue growth in the coming quarters?

Abhishek Bansal:

See, firstly, Pranav, on your question on employee count, primarily the reduction sequentially is on our particular feet-on-street team. So, if you see in June quarter, there was a significant sequential jump versus the March quarter. So, June quarter saw a good hiring, especially because we get a good number of campus hires. In this particular quarter, we focused a lot on productivity and there were certain performance-related exits as well. Overall, this particular headcount should be looked more on a year-on-year basis, where you will see that still headcount is up about 14%, 15%. This team definitely continues to be our particular growth driver. We will continue to invest in this team. But at the same time, we'll make sure that it shouldn't happen that we had manpower in bulk, but commensurate revenue-related returns don't come in. Secondly, on the deferred revenue, yes deferred revenue growth has moderated, but again, there are multiple factors for that. Firstly, as we spoke last quarter as well that, recently, in this current macro environment, we are pushing more for volumes, be it via monthly payment plan contracts. Secondly, definitely, the macro environment, especially on the SME side is indeed challenging. However, we are trying to ensure that on the operating front, if we keep our particular traffic growth at a healthy rate, we continue to add paid campaigns, so that more and more SMEs continue to subscribe with us. At a later point, whenever there is some recovery on the ground, we should be a good beneficiary of the same.

Pranav Kshatriya:

So, just a follow-up, would you like to give some color on how should we see the revenue growth, given the revenue growth has decelerated? I mean, it is difficult for us to see, given the mix is changing. So, how should one look at the revenue growth in the current environment?

Abhishek Bansal:

See, difficult to exactly forecast what exactly would be the trajectory. October being the festival month, it is seasonally weak for us, our particular business is a lot dependent on specific mandates. However, recent trends have been reasonably encouraging. So assuming that we are able to carry that momentum post-festive season in the coming months, should help us with revenue growth in coming quarters. But difficult to, at this point of time, pinpoint that, okay, our revenue growth will trend in what exact direction going forward.

Pranav Kshatriya:

Sure. Thank you for the answers. All the best for the next quarter.

Abhishek Bansal:

Thank you.

Moderator:

Thank you so much. The next question is coming up from Darpan Thakkar. Your line has been unmuted. Please go ahead with your question.

Darpan Thakkar:

Yeah. Hi, thanks for taking my question. First of all, the number of employee growth you mentioned, I missed it. How much -- how many employees you are expecting to grow in FY '20, overall?

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Abhishek Bansal:

No, sir, what I mentioned was that, on the feet-on-street team, there we have about 3,800-odd employees. That particular team has grown at about 14% year-on-year. This particular team is the one where we do want to actually grow. There is a potential to even take this team to 5,000 feet-on-street. But at what rate we will add those particular employees, that, we will have to watch out, considering the productivity of the team that we have already expanded.

Darpan Thakkar:

Okay. And any impact you see because of the new tax regime changes, any savings from that?

Abhishek Bansal:

So, definitely, if you see tax rate for the quarter was about 20%. In first quarter, it was about 28%, 29%, last full year was 28%. In our case, operating income is taxed at almost full tax rate, barring certain small reductions that we get. The treasury income or the other income used to be taxed at about 13%, 14%. So, in the new tax regime, the operating profits will be taxed at about 25.2%, and treasury income will be taxed at about 12%, 13%. Last year, if the new tax regime were to be applicable, the 28% tax rate would have been closer to about 22% or so. So a normalized tax rate, while that will vary basis the mix of other income versus operating income should be in the range of 21%, 22% or so.

Darpan Thakkar:

Okay. And last question, are there any plans of introducing new products on Search Plus side in the near future?

Abhishek Bansal:

On the Search Plus side, there are continuous improvements that we keep doing. For example, the social section that we have launched, the news platform that we have launched, those are seeing good traction. There are improvements that are done on that particular aspect. On the B2B side, there is going to be a significant focus that we intend to do going forward. The product will see certain changes, which are suited to B2B. So some of those particular changes you will see going forward as well. If you see the new mobile site, which has a much filtered design, that has gone live. The similar design will be available on our app very shortly.

V.S.S. Mani:

So on the B2B side, it works more on lead generation for businesses. So we're introducing RFQs and other lead generation tools for all kinds of B2B products and services. So you would see that going live in this quarter, which should also help us monetize better on that front. So, that's going to be a big change from the monetization side. And from user engagement, of course, there are -- so whatever Abhishek explained a lot of stuffs that we have done, and we are continuing to do more improvements, and that's -- as you can see in the traffic and the user engagement increasing. But the B2B thing is going to be very big.

Darpan Thakkar:

Okay. So just to follow-up on this answer. So for RFQs and all that you will be introducing, the charges of that will be separate from what the customers currently prepaying or current monthly whatever they are paying that will increase? Or how do you see there?

V.S.S. Mani:

So it helps us in probably monetizing better in the sense, your average ticket price can go up when you add such features to it. So that is something that you

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can look at, that, it could be a growth in the B2B average ticket size. Secondly, from a perception point of view, vendors prefer tangible leads, and that kind of gives them a much more satisfaction in terms of money spend versus return. And third, from the user point of view, users would love to get competitive course for multiple vendors for certain type of B2B products. So it's a win-win for all, and this should enhance the overall user experience, vendor satisfaction as well as the revenue potential for the company.

Darpan Thakkar:

Okay, thanks. That's it from my side.

V.S.S. Mani:

Thank you.

Moderator:

Thank you so much. The next question is coming up from Mr. Chirag Patel. Your line has been unmuted. Please go ahead with your question.

Chirag Patel:

Thank you for the opportunity. My certain questions is for Abhishek sir. Sir, what is the revenue bifurcation for this particular quarter for top 11 cities and rural -- or tier 2, tier 3 cities?

Abhishek Bansal:

So, tier 2, tier 3 cities contributed 30% to revenue for the quarter.

Chirag Patel:

30%. And sir, what about campaign bifurcation?

Abhishek Bansal:

And they contributed 50% to our campaigns.

Chirag Patel:

50% to campaigns. Sir, if you can provide me a number like the opening campaign for this quarter was 515,300, and the ending campaign was 520 -- almost 529,000. What was the additional reduction in this particular quarter?

Abhishek Bansal:

What is the additional -- sorry?

Chirag Patel:

Additional campaigns you had, not net campaigns, but additional campaigns you had in this quarter and reduction in campaigns you had this quarter?

Abhishek Bansal:

Sir, we do not specifically monitor reduction in campaigns or addition in campaigns, because the same customer comes for renewal as well. So when that particular customer gets renewed, difficult to classify whether it is a reduction and then a addition. We monitor on the basis of what is the total active paid campaigns we have at any point of time and the delta between the two periods, we consider it as net additions.

Chirag Patel:

Okay, sir. Sir, any ballpark number that you can give on the ticket size for top 11 cities and tier 2, tier 3 cities?

Abhishek Bansal:

So tier 2, tier 3 cities, at this point of time, broadly are about 45% of tier 1. So that should help you calculate ticket sizes separately for tier 1 versus tier 2, tier 3.

Chirag Patel:

Okay, sir. Sir, what were the ad expenses for the month -- for the quarter?

Abhishek Bansal:

About INR 18 crores.

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- Chirag Patel:** Sir, are you thinking to change any of the pricing subscription for monthly or annually basis in the future?
- Abhishek Bansal:** So our particular pricing, obviously, is very dynamic. So two types of listings we sell, premium as well as non-premium. Premium listing prices vary on a monthly basis depending on how traffic trends are panning out. On the non-premium listings, again, we take a decision on the basis, okay, for a particular geography, if we are entering a new geography at what price point should we enter? For existing geographies, what should be the threshold? That, again, varies by various categories. Also varies by various types of products, whether it's a B2B versus a B2C type of SME. So there are multiple variables that go into pricing, which gets reviewed at regular intervals.
- Chirag Patel:** Okay. Sir, I totally agree that the number of feet-on-street employees have decreased, because we have Q1 with the college recruitment. But sir, telemarketing has also decreased by 10% approx in this particular quarter. So what is the reason behind that?
- Abhishek Bansal:** Telemarketing has almost remained flattish this particular quarter. Last quarter, we ended at about 4,290. Right now, we have 4,300.
- Chirag Patel:** 4,300. Okay. That had -- my mistake. I have from the number of previous listings. 4,000 -- how much is it in this quarter, 4,000?
- Abhishek Bansal:** Telemarketing is 4,300. 3,860 is feet-on-street Cold Calling team.
- Chirag Patel:** Okay, sir. Okay, got it. Thank you, sir. I'll join the queue back.
- Abhishek Bansal:** Sure, thank you.
- Moderator:** Thank you so much. The next question is coming up from Mr. Vivekanand from AMBIT Capital. Your line has been unmuted. Please go ahead.
- Vivekanand:** Hi, thanks for the opportunity. Persisting on the top 11 versus non-top 11 markets discussion. Is it possible to discuss about the mix of traffic that you have from top 11 markets and outside of the top 11 and how they are growing? And if possible, can you discuss about the margin trends? How different are they in top 11 versus non-top 11? Second set of questions are on the revenue composition. What percentage of your revenue would be coming from B2B products and services? And secondly, on the overall revenue, what would be the split between products and services? Thanks.
- Abhishek Bansal:** Okay. Firstly, on the top 11 versus non-top 11 in terms of traffic, about 50%, 55% of the traffic comes from top 11 cities, rest about 45%, 50% comes from non-top 11. By and large, I would consider it 50-50. What was your subsequent question on top 11 versus non-top 11, sorry?
- Vivekanand:** If possible, margins in top 11 versus non-top 11 markets? I mean qualitatively.

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- Abhishek Bansal:** Got it. So our particular gross margin overall stands at about 60%, which is revenue-less direct cost of sales. That 60%, if we were to split it between top 11 versus non-top 11, top 11 would be at about 67%, 68%. Non-top 11 would be at about 53%, 54% also. Coming to your second question on what is the...
- Vivekanand:** Essentially -- sorry. Sir, essentially in non-top 11 markets, you still have a lot of investments in your P&L and monetization, isn't yet up to the mark, or comparable to the top 11 markets, right?
- Abhishek Bansal:** No, I won't look at it this way. And the reason for lower margin profile in non-top 11 primarily is that ticket size is much lower, whereas my particular costs are not that lower. For example, in top -11, if I have to hire a feet-on-street at INR 25,000 a month, I might have to pay INR 19,000, INR 20,000 a month in tier 2, tier 3 as well, which is a 20% reduction. Whereas in terms of ticket size, as I mentioned in the earliest part of the call, that my tier 2, tier 3 ticket size is approximately 45% of tier 1. So that particular ticket size difference is what causes this margin difference. However, at the same time, there is much more room for pricing to be increased in tier 2, tier 3 cities. So over time, some of these particular cities should start converging towards tier 1.
- Vivekanand:** Okay.
- Abhishek Bansal:** Coming to your second question on what percentage of our revenue comes from B2B. At this point of time, as I recall, broadly, it's about 20% or so. And thirdly, in terms of split between products and services. So around two thirds or even 70% of our revenue comes from service-oriented categories, about 30% comes from product-oriented categories.
- Vivekanand:** Right. Thank you. All the best.
- Abhishek Bansal:** Thank you.
- Moderator:** Thank you so much. There are no further questions at this point of time, turning the program back to you. Mr. Bansal, there are a couple of questions that has dropped right now. Do you want to go ahead, sir?
- Abhishek Bansal:** Sure, please go ahead.
- Moderator:** The next question is coming up from Chirag Patel, Bhavesh Investments.
- Chirag Patel:** Sir, I would like to know the like-to-like basis number for H1 FY '20 compared to H1 FY '19. So in other expenses, right now, it is showing that it is approx 81 plus. So if I want to see it on like-to-like basis, how much it would be?
- Abhishek Bansal:** Other expenses, you mean?
- Chirag Patel:** Sir, like Ind-AS 116 took place due to which other expenses had gone down and leases expenses had distributed among depreciation and finance costs. But if I want to check it on the like-to-like basis, like, if we had to recognize it in the same way like FY '19, how much other expenses it would be?

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Abhishek Bansal:

So other expenses for first half would have been higher by about INR 12.75 crores versus first half last year, which is primarily due to rental expense.

Chirag Patel:

Right. Sir, other than that, I want to know that from last five quarters, we have not seen any kind of growth in revenue in top 11 cities. It has been stagnant between INR 167 crores to INR 170 crores for every quarter. So, how are we going to improve that? How are we going to see our additional revenue generating?

Abhishek Bansal:

So, top 11 cities, revenue has been growing, though at low-single digits. When we actually reached about 15%, 16% growth in top line, our top 11 did reach about 8%, 9% top line growth. So in top 11 cities, again, the two sales channels that we have, the feet-on-street, they are growing at a much better rate in teams in top 11 as well. So the way we have to approach selling in top 11 that is undergoing changes. The product is very much now a show-and-tell product versus a typical telemarketing-related selling, plus a lot of sales for existing customers, we are trying to push via online mediums as well. So some of these particular initiatives should help us revise growth in top 11 cities as well.

V.S.S. Mani:

Also, B2B should be also a big contributor.

Abhishek Bansal:

Right. So B2B, where we have a renewed focus in terms of lead generation, et cetera, that should help us across the board.

V.S.S. Mani:

We are in a very large segment of businesses we've not tapped very well, which is the B2B side. And coincidentally, there is a bit of -- quite a bit of traffic on B2B side. It's a big miss from our end. So if you look at that opportunity, currently, we are hearing about 18% to 20% of our revenues from B2B. That percentage should significantly go up, and this should come from new revenues, new customers, a large percentage of them are actually in top 11 cities.

Chirag Patel:

For the business, should I expect like in FY '19 in top 11 cities, our campaign actually grew by 2%. So should I expect that for FY '20 compared to FY '19, it will be about 5% growth?

V.S.S. Mani:

It can be more. It can be even more. The point is how we kind of execute these plans. We figured out that there's a lot more opportunity in the top 11 cities, which we really didn't kind of go after. We should see in the coming quarters, a significant difference there. Also, one more point I want to highlight. There has been a bit of pricing issue from our end. We kind of underpriced our products in top 11 cities for a while. And somehow there has been a mix up between tier 2 and tier 1 and the overall pricing, generally believing that average ticket size can go down, and we can still get more number of businesses to compensate for it. But you need a good balance. You need a good balance of average ticket size also going up, at least on the like-to-like cities and the like-to-like product categories and all that. We haven't done much on that. So improvement in pricing, addressing new segments like B2B, which is very large actually. In terms of data strength, it's close to about 30% of our data or maybe even more.

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And the combination of all of these will help us monetize the top 11 cities better and also in tier 2, we'll see some significant improvement.

Chirag Patel:

Okay, sir. Should I expect like, in last year, campaign growth in tier 2 was 18%. So can I expect like a blended growth of 5% to 6% by the end of FY '20, if possible?

Abhishek Bansal:

See as we said that in this particular macro environment, obviously, we ourselves are focusing a lot on volumes. The thought processes ensure that more and more SMEs continue to subscribe with us, plus with the initiatives on the B2B side, I believe, campaign growth should accelerate versus the trends that we are seeing at this point of time.

Chirag Patel:

Okay. The next thing I want to ask you is listings business. Sir, are you going to keep focus on our growth engine only. Like in 2017 or '16 of course we started with JD Omni. Are we going to back that plan again, or we are just going to focus on listings business?

Abhishek Bansal:

So at this point as well, we actually sell a couple of products, which we bundle with our core listings. So, like we gave website to SMEs, world-class websites, mobile-friendly dynamic, SEO optimized, those particular websites, we bundle with our core particular listing product itself. So that a particular SME gets a complete suite of products by which their particular Internet strategy is complete. At an opportune time, we would want these same SMEs to start using the complete Omni-solution as well to manage their business. So the team that actually has JD Omni, that particular team itself has built capabilities for these websites, et cetera. So it's not that we are not monetizing Omni at this point of time. But yes, there are several products in that particular segment, which we are working on and for which monetization could happen at a later point of time.

Chirag Patel:

Okay, sir. Actually, sir, we have been working on this for such a long time. Like, last three years, we have been doing. And how much improvement have we seen in this? As bundled products, I probably agree with that, but how much improvement have we seen and what kind of improvement you are thinking about this that can come in the future?

V.S.S. Mani:

So the Omni-suite, if you look at it, it's complete in many respects. It requires completely different sales approach. We wanted to get into a decent double-digit growth for our regular business, the core business and then push the Omni-suite to customers, where once they move in, that can make the life easy. So current priorities are as follows. First, get search quality improved in terms of enhanced information about products. So people can actually search by specific products and get requests for quotes and those things. For that we're using a large extent of Omni engine that we have built actually. We don't have to redo it. So that engine is built. This will help us with the 150,000 B2B businesses, which we want to tap right now in terms of content enrichment, which will get in at least about 20 million products to our data. This will happen in the next three months -- three to probably four months, where these 150,000 businesses will be contacted. The list of specific products as well as the images with respect to

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those products will be captured first. This is on the content side. We create the content. Then we encourage these businesses to actually advertise and get leads through this channel, this platform, where the consumers go for the request for quote, and these leads are passed on to the vendors. And this is, of course, is very priceless for them. There are not many tools that B2B businesses have. So this is going to be really good for them. Then the next level, we'll try to sell the entire suite to them. So key low-hanging fruit right now is to enhance our B2B revenues. As you can see, the one more player in the market has also got listed, and it's significantly doing well on the B2B side, and 100% of their revenue comes from B2B. And we have kind of ignored that. We realize this now and we want to bring it up fast.

Chirag Patel:

Okay. Thank you so much for that.

Abhishek Bansal:

Thank you.

Moderator:

Thank you so much. There are a couple of more questions. Mr. Bansal. Do you want to go ahead, sir?

Abhishek Bansal:

Yes, sure. Please go ahead with all.

Moderator:

Sure, sir. The next question is coming up from Mr. Vivekanand from AMBIT Capital. Your line has been unmuted. Please go ahead.

Vivekanand:

Hi, thank you for the follow up opportunity. And just wanted to hear your thoughts on this. You mentioned about Omni already being there and the investments being in place. But how differently would you need to re-tool your sales team to do this B2B play that you're talking about? And is there any change that you envisage in the product right now in Omni? You mentioned that you will now start focusing on it much more than before. So what kind of investments are you looking on the product side, on the sales side? And does it make sense to become another horizontal player in the B2B side? Or would you want to verticalize? And lastly, does it make sense to acquire anything on this side or even otherwise, any update on the cash utilization or acquisitions that may be in the cards? Thank you.

V.S.S. Mani:

Okay. So, the first thing on the product side, a lot of which has been developed. It's just that we had not taken the effort to go to businesses and create the content, because you need the partnership with the business as well to create the content and then look at monetizing. And obviously, when you enrich the content, the traffic grows multifold. People get a lot more information, a lot more specific information, and they're able to act on it. So that job will be done. The technology for that is already built. There's nothing new that needs to be done. Only a bit of a mandate to spend in reaching out to businesses and getting the content enriched. So that's the first part of it. The other question, what was it? Acquiring companies. There is no need to acquire any company right now. Our aim is that single box of Just Dial should provide anything under the sun. That's our goal now. So earlier, we have done a good job when it came to finding a provider for a keyword or a category rather. But now we have to get to

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the next level. It's not just the category keyword. It's more specific to a product event. And so literally, every business out there should have its complete catalog available on Just Dial, the list of products, list of products with images, list of products with the prices and stuffs like that. Fortunately, unlike B2C, B2B has the pricing and things are very stable. So it's not like every day it changes, or every week, every month it changes. So that's quite achievable. Then comes the entire thing, how we get the same executed on B2C side.

Vivekanand:

Okay. And your thoughts on verticalizing rather than remaining a horizontal, are there any specific segments of the B2B marketplace that you will be looking at? Or is it going to be a horizontal play, just like you have right now in the B2C side?

V.S.S. Mani:

So horizontal is easier for us to achieve, with the same entity, within the same structure, we can do that. If you think of verticalizing, then it has to be a different property. It requires different level of focus. Right now, we believe, horizontally, it should be done either way, whether we have our own vertical or not. But we need to do this in the horizontal thing as well, because this is what the user requirement has been that people are looking for a little bit more detailed information.

Vivekanand:

Okay, understood. I have another series of questions on the vendors. You commented that vendors preferred tangible leads as opposed to display advertising. So whether on B2B or B2C, is it possible for you to update us on the progress of how you are able to now convince the top 11 customer base to increase yields? What are you really doing with these merchants to convince them to persist spending with you or spend more with you?

V.S.S. Mani:

Okay. So let me take one thing at a time. First of all, the return on investment on JD is disproportionate when they compare to the next available medium. Mistakes that have happened from JD is, we have not aggressively capitalized on that, trying to increase our prices, especially in keywords where they cannot do without us. We could have been far more aggressive, which we haven't done. So that entire area has to be visited and fixed. Okay. That's the first part. This will help us increase our revenue from each customer. We moved from voice to web. Voice was all very tangible leads, a call would convert into lead and seven vendors would have it, and everybody was having a great sense of feeling that the money spent is working for them. When we moved online, we didn't want to bring in that tangibility. We didn't want to get the user part off with the contact information and then pass it on to the vendor and all that. Somewhere we figured out that a middle part would have worked better, because there are certain types of categories where the user also likes to get multiple quotes, and in fact, willing to fill up a form to request for a quote. And so we are bringing in those changes now, which might include some B2C categories as well. And almost the entire universe of B2B category will fall under this. So combination of all these things, you would see that our revenues or profit or monetization for customer, including getting new customers, everything can potentially increase.

- Vivekanand:** Okay. Thank you so much for the detailed clarification.
- Moderator:** Thank you Mr. Anand. The next question is coming up from Mr. Vijit Jain from Citibank. Your line has been unmuted. Please go ahead with your question.
- Vijit Jain:** Sir, one is, how is the vernacular focus going for the app and the website. I think you mentioned in the last earnings that your next focus is going to be on developing and integrating that piece of technology over into your website. Sir, if you give an update on that?
- V.S.S. Mani:** So the new version has language options. If you actually use our mobile site, some bit of it we can see there. For example, in the settings on top in the menu if we choose language, you would see, you get content only in that language. So that is something which we have taken live, and this will also go live on app as well.
- Vijit Jain:** Okay. And my second -- okay. Sorry.
- V.S.S. Mani:** Go ahead.
- Vijit Jain:** Yeah. My second question was on, sir, last time, I think you mentioned that the mix of monthly payments was around 36% to 37%. I know you've said that the monthly payment mix is going up. But if you could give a number on where that stands now, that could be helpful?
- Abhishek Bansal:** So far, in this particular quarter, that stands at around 36% or so.
- Vijit Jain:** Okay.
- V.S.S. Mani:** Okay. I would like to say one thing from our end. When this company was growing at around, say, 25%, 30%, even post-IPO, we grew 27%, consecutively for two years. We were very aggressive on promoting monthly payments. We are very aggressive in getting people sign up monthly plan. In fact, it goes other way around. The customer used to request, no, no, I would love to pay upfront and not monthly. So at times we went as high as 55%, 60% as well. So somewhere we realized that, that was also one folly that we kind of lost track there. We came as low as almost, what 20%.
- Abhishek Bansal:** 24%.
- V.S.S. Mani:** 24%, we came down. So again, we've done a lot of analysis, and of course, we did turn around the business as you see in the last few quarters, again, then, of course, we're seeing a bit of a challenge, because of the macro environment right now. But what we figured out is, businesses or any spender would love to sign up something which is easy to pay and sometimes not even visited so long as you can find a great value for the money spent and tangibility. So we are now focusing, we have put a formula in place, and we're trying to work towards that. I cannot articulate much more than this, and I don't know. But gut feel says that this is going to really turn around because, thankfully, a lot of it is self-created problems by us, so that if we address it, that should turn around at big time. So

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you see the number of paying customers are also substantially increased in the last four years. It's not like we are not growing. We've grown a lot in terms of paying customers. But there's a lot more money that can be made from a customer, which we never focused on.

Vijit Jain:

Okay. Thank you so much.

Abhishek Bansal:

Thank you.

Moderator:

Thank you so much. The next question is coming up from Siva from Unifi Capital. Your line has been unmuted. Please go ahead with your question.

Siva:

Yeah. Thank you for the opportunity. Just one question on that feet-on-street for JDAs and Cold Calling. Has there been a recalibration on the entire feet-on-street base, because the last quarter, we saw the number increasing by about 500, and again, this quarter, we see a steep decrease in the number. So what is going on in terms of the company's thinking behind this workforce? Thank you.

V.S.S. Mani:

So every time we hire, it was the time it pays off to hire in a bulk. Especially like Abhishek said, universities, exams and then there are a lot more available at a certain period of time, then we focus on consolidating a bit. Once we consolidate, and then we start rehiring. So we let some people go. As you know, at the entry level job and sales job, there is always a lot of attrition, because that's always the case in any company. So we kind of let it kind of stabilize and then start the hiring again. So we give some time for our HR also. So but you would see this strength going up.

Siva:

Okay. You're saying this quarter is more or less like an aberration, and the numbers should only increase going further?

V.S.S. Mani:

Yes, because see, even the macro picture was not very encouraging, so we also played it safe, so we didn't want to go aggressively hire and continued to hire in this quarter as well. So, I think if we improve, we will go and hire more people.

Siva:

Got it. And the attrition is the natural attritions that you get to see every quarter?

V.S.S. Mani:

Yes, every month.

Siva:

And then, how many new employees have joined for as this particular quarter?

Abhishek Bansal:

So, I will have to check on that specific number, and we'll come back to you.

Siva:

Got it. Thank you.

Abhishek Bansal:

Thank you.

Moderator:

Thank you so much. The next question is coming up from Alankar Garude from Macquarie. Your line has been unmuted. Please go ahead with your question.

Alankar Garude:

Hi, sir, thank you for the opportunity. Firstly, sir, is it possible to share some on-ground feedback as to how the SME behavior is shaping up, especially over the

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past few months? Basically, when you interact with SMEs for renewals, what are the issues you're facing?

Abhishek Bansal:

See, on the ground feedback that we get, obviously, SMEs specifically, one key feedback is that they have relatively less visibility on how their business will trend. Over last couple of months, they have been looking forward to pick up maybe via the festive season, working capital-related challenges have actually been much higher in these recent months. So, some of those particular things, at the end of the day, we are also advertising platform for them. So, if they don't have that much comfort on their business, they tend to push out or defer their particular spend. It's never a question about that, okay, they would want to look at any other alternate medium, because there is none that exists. But it is mainly their particular inability to probably pay upfront, which is why we shifted to more of monthly payment plans, which actually resulted in 13,000, 14,000 sequential campaign growth coming through.

Alankar Garude:

Understood. The second question is, so while our growth in paid campaigns has not really decelerated much, pricing seems to be under some pressure. And Mani did comment on the top 11 cities being under priced even now. But if I look at it on a like-to-like basis, can you comment on the current pricing trends in tier 1 cities?

V.S.S. Mani:

Current means, as we speak?

Alankar Garude:

Yeah. So as we speak, either for the first half or the quarter gone by?

V.S.S. Mani:

Not much has been done. In the past two quarters, actually, what we should have done on the pricing front, we didn't do much. So you will see corrective steps now. Going forward, you will see far better application in terms of optimizing your monetization from each customer, as for the category keyword types.

Alankar Garude:

Okay. So would it be fair to assume, Mani, that there has been a flattish or maybe some decline in pricing for the tier 1 cities?

Abhishek Bansal:

So against the 2.3% blended realization year-on-year drop that you see, bulk of it primarily is on the tier 1 cities itself. So there, yes, we had about 2% year-on-year dropped in realization for this particular quarter.

Alankar Garude:

Understood. This is very helpful. Thanks, and all the best.

Abhishek Bansal:

Thank you.

Moderator:

Thank you so much. The next question is coming up from Chirag Patel from Bhavesh Investments. Your line has been unmuted. Please go ahead with your question.

Chirag Patel:

Thank you for the follow up opportunity. Sir, I just wanted to ask that there is a decrease in tax rate right now. So are we going to pass on the benefits to our customers or are we going to charge them in the same way?

- Abhishek Bansal:** See...
- V.S.S. Mani:** Definitely we are charging more.
- Abhishek Bansal:** See, in terms of tax rate benefit, ideally, that particular benefit will eventually flow to shareholders in terms of more money being available with the company to actually share. So in terms of customers, it isn't really driven by what kind of tax savings that we are getting. At the customer end, it will be driven more by whether the product inherently has that particular pricing power. If we are delivering disproportionate value for money, and if we can charge higher for our services, why should we not?
- Chirag Patel:** Okay. Thank you so much.
- Abhishek Bansal:** Thank you.
- Moderator:** Thank you so much. There are no further questions at this point of time. Turning the program back to you, sir.
- Abhishek Bansal:** So thank you, everyone, for joining us. In case you have any subsequent queries, please feel free to reach out to us, we shall do our best to address, and we shall see you next quarter. Thank you.
- V.S.S. Mani:** Thank you.
- Moderator:** Thank you, ladies and gentlemen, along with the speakers and the panelist members for joining the call. Wish you have a great year.