Nomura Financial Advisory & Sec (I) Pvt Ltd.

"Just Dial Limited (JUST IN) Q1FY21 Earnings call"

August 3rd, 2020

SPEAKERS: **Management, Just Dial Limited**

Moderator: Good evening, everyone. I am Harpreet Kapoor, the moderator of this call. Thank you for standing by, and welcome to the Just Dial Limited Q1FY21 Earnings Call. For the duration of the presentation, all participants' lines will be in listen-only mode. We will open the floor for Q&A post the presentation. So without any further delay, I would like to know hand over the proceedings to Mr. Rishit Parikh. Over to you, Sir.

Rishit Parikh: Thank you, Harpreet. On behalf of Nomura, we would now like to welcome you all to Just Dial's 1QFY21 Earnings Call. Today, we have with us the Founder, M.D. and CEO of Just Dial, Mr. V.S.S. Mani; and 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 '21. Operating revenue for the quarter stood at INR 162.4 crores, which declined 32.4% year-on-year. This drop was primarily due to lower collections in June quarter and previous quarters and partly due to impact of certain customers opting for pause in services or delaying their activation of their campaign during the lockdown period. Operating EBITDA adjusted for noncash ESOP expenses stood at INR 46.3 crores for the quarter, declining about 32.8% year-on-year. However, considering significant impact in top line, tight cost controls enabled us to achieve 28.5% adjusted EBITDA margin for the quarter. Other income for the quarter was substantially higher at about INR 76.9 crores due to fall in bond yields resulting in MTM gains on our treasury portfolio. As a result, net profit for the quarter stood at INR 83.3 crores, growing 45.5% year-on-year.

Coming to operational highlights. We had overall 100 million unique users for the quarter, which dropped 36% year-on-year and 28% sequentially. This drop was primarily due to lockdown impacting our traffic from the end of March. To optimize our discretionary costs, we have curtailed our advertising spend, both digital and non-digital, from the month of April. For April, our average traffic dropped about 48% versus pre-COVID levels. However, traffic has been recovering reasonably well since then. For the month of July, average daily traffic was down about 12-odd percent versus pre-COVID levels. However, since majority of traffic is presently coming organically without any advertising, on a like-for-like basis, July organic traffic has already passed pre-COVID levels, which is a healthy sign.

Total active database now stands at about 29.6 million listings, a growth of approximately 12% year-on-year. Paid campaigns at the end of the quarter stood at about 445,000. Essentially, during the lockdown, several customers have opted to renew their contracts at a later date, which is what impacted sign-ups during the quarter. In order to assist SMEs in these unprecedented times of COVID-19, we had launched various offers on our paid campaigns during the period, including better discounts, flexibility in activating their campaign, better payment terms, et cetera. As a result, we were able to arrest COVID-19 impact on our Q1 monetization to a decline of about 52% year-on-year and 43% sequentially in our collections. With lockdown easing, monetization is improving and the impact of any revised lockdown or restrictions in certain geographies, especially Tier 1 cities, is being monitored very closely.

Coming to cash and equivalents, this stood at about INR 1,643 crores as of June end, growing about 17.6% year-on-year. The ongoing buyback for INR 220 crores, we expect to be complete in another four to five weeks. Overall, as you all know, the quarter was expected to be a tough one owing to COVID-19 impact. However, we think we have been able to perform fairly okay in terms of monetizing as much as possible, and at the same time controlling costs. There is a lot more focus on automating internal processes going forward, which should, I believe, help us emerge even stronger from this particular pandemic.

With this update, we shall now open the floor for any questions. Thank you.

Moderator: Thank you so much, sir. With this, we will open the floor for Q&A interactive session. So, participants, if you wish to ask a question, you may please press '0' and then '1' on your telephone keypad and wait for your line to be unmuted. I'll repeat you need to press '0' and then '1' to ask the question. First question today we have from Pranav of Edelweiss. Your line is unmuted. Please go ahead. I'll repeat, Pranav from Edelweiss. Your line is unmuted. Please go ahead.

Pranav: Yeah. Am I audible now?

Moderator: Yes, you are audible.

Abhishek Bansal: Yes, please go ahead.

Pranav: Yeah. So, congratulations on a good performance. My first question is on the traffic. You know, you said that in July, your traffic is almost back to pre-COVID level. So from that perspective, how significantly the collections have come back? And secondly, on the cost front, we were expecting a slightly [Audio Dropped] structure because I believe that in the last earnings call, we were expecting almost INR 53 crore cost per month to come down to almost INR 35 crore per month. It seems slightly higher at this point. So how should we see this going forward?

Abhishek Bansal: So Pranav, firstly, on the July collections, so July collections are approximately at about 60% of pre-COVID level. Traffic, as I mentioned that, excluding advertising, has come back reasonably well. But monetization, obviously, will depend on how lockdown shall open up in Tier 1 cities. Even at this point of time, there is limited activity that is being committed in Tier 1 cities, specifically. And otherwise, also SMEs obviously are taking a cautious stand in terms of trying to get a grip on their business first before committing any sort of advertising spend. On the cost side, so the P&L expense recognition has certain other particular costs as well. For example, my incentive costs in P&L are expensed in line with revenue recognition, whereas my cash incentives paid out during the quarter would have been lower. So while our cash costs were around say, INR 35 or INR 36 crores a month for April, May, they were slightly higher for June because since they started opening up -- since traffic came back, some of the variable costs linked to traffic have started coming back. They are ballpark in the range of about INR 38-39 crores a month at this point of time. Some of the particular costs could come back depending on how monetization scales up.

Pranav: Yes. Just a quick follow-up on that. I mean, can you give us some color because on how should one see this -- given that traffic is already at a pre-COVID level, and this is coming back despite the lockdown, so how should we see the collection coming back? I mean, you know, because the traffic has come back to normal level, should we assume that in, you know, let's say in few months, it should be coming back to the pre-COVID level? And similarly, on the cost, I mean, how should we see the cost -- I mean, in the P&L for the next quarter or so?

V.S.S. Mani: Also, Abhishek compare the traffic bridge with advertising and say what the level is. That will give you a clearer picture.

Abhishek Bansal: Right. So traffic, as I mentioned, that with advertising, July was approximately 12%, 13% down versus pre-COVID levels. Coming to your third question on how...

Pranav: Without advertising?

Abhishek Bansal: Without advertising, it was up about 6-7% versus pre-COVID levels.

Pranav: Okay. So can we start advertising now and come back to normal business? Or is it like is there something else to it?

Abhishek Bansal: So a couple of things here. Firstly, on advertising, the thought process is that, obviously, we would want to have some clarity on where our particular monetization is trending. So very importantly, in Tier 1 cities, several of our customers, even at this point of time, say that while we might actually get inquiries from Just Dial, due to lockdown and several restrictions, we are not able to cater to those inquiries. So for us, as far as advertising is concerned, we are taking a calibrated approach to see: one, how market opens up; and second, how our particular monetization is trending. On the question of how do we expect collections to trend in coming months, we already have guidelines, which have come up till 31st August from the central government, and respective states have also started issuing their guidelines. There isn't too much of a change versus what we had in July. So it seems that it will possibly get into September or maybe even a month later before things start opening up at a broader scale. And once those things start opening up, post that, I think it will take probably a few months before things start resuming back to, say, original activity levels. Just as a very basic example, like as -- Just Dial as a corporate, we were advertising anywhere between INR 13 to INR 17-18 crores a quarter pre-COVID. And at this point of time, when as a corporate, we are also taking a cautious stand and are also trying to get a grip on our particular business before committing funds for advertising, probably similar would be the behavior for a small or medium business as well. Pranav, to your question on the cost side, so on a monthly basis versus pre-COVID, our costs are down approximately INR 14-15 crores a month. The broad split there is around INR 7-8 crores have been paid from salary expenses, another INR 1.5-2 crores on incentives, about INR 4 to 5 crores on advertising, and another INR 1.5-2 crores from other optimization. So as I mentioned that some of the costs pertaining to advertising, et cetera, they will come back in a calibrated manner. However, some of these particular savings are expected to be sticky in nature going forward.

Pranav: Okay. Thank you so much. Really helpful and all the very best for the next quarter. Thank you.

Abhishek Bansal: Thank you.

Moderator: Thanks for your question. Next, we have Vivekanand Subbaraman from Ambit Capital. Your line is unmuted. Please go ahead.

Vivekanand Subbaraman: Thank you very much for the opportunity. I have two questions. One is on the Tier 1 versus Tier 2 performance. Presumably, the business metrics in Tier 2 towns, given the nature of lockdown being so severe in the big cities, presumably, the contribution would have picked up even further. So can you discuss about the revenue contribution, the campaign split and the behavior of SMEs in big cities versus your Tier 2 cities? That's point one. Second, Abhishek thanks a lot for discussion about the cost structure. Can you talk a bit more about how much more automation can you achieve in your internal processes? Because I can see that the headcount has declined meaningfully. How much of this INR 14-15 crore per month cost savings is lasting assuming that we don't have any color on when the business will come back, but we just want to understand, you know, when the business does come back, what is the likely operating cost structure that we will have? Thank you.

Abhishek Bansal: Right, Vivek. So on the first question, on Tier 1 versus non-Tier 1 cities, so you are right that Tier 2, Tier 3 cities continue to gain share. So at this point of time, they contribute about 34% to our top line, and in terms of count of campaigns about 55-56%. So definitely, Tier 2, Tier 3 cities are faring much better compared to Tier 1. On your second query, as far as the extent of automation, so internally, the key thought process is that as many functions, as many processes we can automate that will help us in the long run. That obviously is going to be an ongoing exercise. The key takeaways for me from the cost structure is that even when top line has dropped by about 32-33%, we have been swift enough to ensure that business was still able to deliver 28.5% EBITDA margin. So earlier when top line was very healthy, at that point of time, we used to have 28-30% EBITDA margin. Having said that, once top line growth returns back to normalcy, I do expect that margins should be much healthier versus what they are versus the INR 14-15 crores monthly drop that we see in the cost structure, definitely, 30-40% of those could be long-term, sticky in nature.

Vivekanand Subbaraman: Okay. Understood. Just a small follow-up on the Tier 1 versus 2 -- discussion that we had. So what is the share of traffic and overall listings that these cities have? They now contribute meaningfully to your top line and campaigns. And what are you doing right in these markets? What's working for you? And secondly, if you could give -- I know that things are very challenging in top 11 cities. But if you could give some update on the initiatives that you are planning on the B2B and the transactional B2C side to improve your revenue in Tier 1 markets that will also be great. Thank you.

Abhishek Bansal: So in terms of total listings, around 55% of listings are in Tier 1 and the rest of the listings are in Tier 2, Tier 3 cities. And the split in terms of the traffic that the portal attracts, traffic also by and large is similar. So that is the share in terms of traffic and listing. Coming to growth in Tier 1 versus Tier 2, Tier 3, see, Tier 2, Tier 3, obviously, we enter these particular cities with a very lower ticket size. So the ticket size in Tier 2, Tier 3 is obviously much lower, almost 40-45%

of what we have in Tier 1 cities. So that obviously makes that particular listing much more attractive in these particular cities. Secondly, obviously, the base effect in terms of Tier 2, Tier 3, we have penetrated these particular markets at a much later stage. And in recent months, Tier 2, Tier 3 cities have started opening up much earlier compared to Tier 1 due to this particular lockdown impact.

Vivekanand Subbaraman: Okay. And could you answer my question on the initiatives, longer-term initiatives to grow your business in Tier 1 cities, B2B and transactional B2C. I know they are on hold, probably they may be on hold right now, but what are you doing at the back end there?

V.S.S. Mani: Yeah, I'll take this question. So a lot of it has been like kind of had gained momentum. And since the COVID time, we're kind of hesitant to bring in much more changes from our end. Although you're right, a large section of our categories in the services side will be on transaction basis, and have some kind of a service that people could avail via Just Dial lending the guarantee of the service. And on the B2B front, there is a separate initiative to catalog every product that is there in B2B and create a marketplace for which we are doing – within Just Dial. You'll see a lot more content enrichment and a separate portal. Now the thing is the initiatives are quite a big list. We don't want to share with the market anything as such right now till things get back to some kind of normalcy. What are we worried about constantly is that when will this lockdown end? When can our sales force hit the field? When can our customers do the regular business? And that is where the biggest concern area for us. As far as those initiatives and other initiatives are concerned, they're in full swing because that department, the product and technology is doing its job. And you will see them as they get rolled out, we will be announcing it to the market.

Vivekanand Subbaraman: Yeah. Thanks Mani. That was very useful. Last, small question. Is there a big difference between the premium and non-premium listings proportion in Tier 1 versus 2 and 3 markets? Is that the result -- is that resulting in your ticket size being so different in these two markets?

V.S.S. Mani: No, it's just geography. It's -- larger the geography, the ticket size are higher, the competition is higher, market forces determine that. Tier 2, Tier 3 cities, certain categories, you can't monetize beyond a point because of the nature of those cities. So it's basically -- I mean, it's less to do with product and sizing. It's pretty much the same, Abhishek, ratio of premium contribution to…

Abhishek Bansal: Yeah, ratio would be same. But say, for the same category, say, for pest control service in Mumbai versus a pest control service in Kanpur, for premium position in both the geographies, Kanpur would be much cheaper compared to Mumbai. It's only because Mumbai attracts much more traffic. And even for those service providers, the ticket size for their particular service would be higher in Mumbai versus Kanpur.

V.S.S. Mani: See, there has been a particular way that we have been monetizing our search traffic as per keywords. We want to transition into a good blend of certain keywords to monetize only on the basis of percentage on transaction, certain others are probably monetized only on a lead basis, and some others continue to be as is right now is on listing. So this transition is important from various points of view: One, first, it all begins with the user experience. We are focusing on what users like, and we need to transition that. I think we are a bit late for that, but made up the sense, we have to do it like yesterday, right. So those transitions should happen in certain keyworks. Like Abhishek gave a good example of a pest control service or AC repair service. There is a general consensus among users that you rather give the task to JD, Just Dial, and Just Dial kind of will execute it for us through a vendor. So that's a kind of assurance for the quality of service. So that is something. So those kinds of services are going into a different pocket right now, where, actually speaking, you may not even talk about any more premium listing and non-premium listing. You want to tie up with the best of the best players, the best rated guys, and give them as much business as possible and monetize maybe much better than what you do today, but with a very small set of businesses. I hope I have not confused you on this, which is where the opportunity is. For example, if we generate 1,000 search leads for pest control services; there is a particular way that we monetize in terms of showing search results and multiple listings and things like that. Now if we kind of take those actually into transactions and make a percentage of commission, then that model changes, okay? But are we right now executing it? No. We want normalcy to prevail first, and then we want to go and take a dip on it. So there are concerns about our business. Let me address that. From a perspective for most investors also, as a growing concern, does this concept, does this company continue to exist in the future? Of course, it will. But it has to also evolve from what it is today. See, our strength is -- look at it this -- 0.5 million businesses trusting us, which is, obviously, there is a big brand, there's a big advantage of being part of Just Dial. And many of them have been with us for years together, okay? They've grown with us. Now because of the changing ecosystem, changing user behavior and the post-COVID era, everybody has to change, including our vendors, us, all of us have to change for a better experience. So this transformation will happen soon. And -- but before anything else, normalcy should prevail in --- whatever we're going through right now. Right now, we're all locked down. I mean, a large percentage of our workforce is -- about 80% of them are at home. And whatever little work we do from home, that's what is happening.

V.S.S. Mani: Thanks a lot, Mani. That was excellent and wish you the very best with your vision in this transformation journey.

V.S.S. Mani: Thank you so much.

Moderator: So we'll go ahead with the next question coming up from Ayaz Motiwala from Nivalis Partners. Your line is unmuted. Please go ahead.

Ayaz Motiwala: Yes, hi. Good afternoon and good evening gentlemen. My name is Ayaz Motiwala. I have two questions. One was when -- I got muted off when the cost control explanation was being given, and Abhishek, if you can just quickly go over it. The question was about INR 50 crores, and you had talked about in the last quarter, we could bring it down by about INR 13 to 15 crores. You did talk about retaining some number. So the question is, what is the level of cost in terms of cash versus the accounting, the point you were making, and that's when I got cut off, please?

Abhishek Bansal: So as I mentioned that in terms of cash cost on a quarterly basis, they are approximately INR 37 crores a month at this point of time. In accounting P&L, some of the costs get amortized in line with revenue recognition, such as incentives.

Ayaz Motiwala: Right. And for those...

Abhishek Bansal: You get both the numbers.

Ayaz Motiwala: It shows a higher number.

Abhishek Bansal: It shows INR 39 crores a month whereas cash costs are approximately INR 37 crores a month.

Ayaz Motiwala: Okay, okay.

V.S.S. Mani: But you need to also understand that the company is getting benefited in terms of accrued revenue, which is like a deferred revenue getting accounted now. So actually, in the difficult months, that is April, May, June, the effect of which will be seen in the coming quarters. That is the sticky thing about the business because you have two sets of revenue, one is the monthly payment customers who pay, the other is upfront collections that you collect and then accrue over a period of time. The upfront collections have got severely affected in the months of April, May and June, so July is slightly improved. So the thing is then if the lockdown continues and all that, we would have much more difficult quarters in terms of accrued revenue, although the company and the management has done a fantastic job in controlling the costs. Now we are trying to kind of [indiscernible] right now till things get back to some kind of a normal business.

Ayaz Motiwala: Actually, Mani, that's a great explanation. And the question that I have is a buildup on that now, which is -- and if you can link that with paid campaigns, it will be very helpful, next where your business as it's transitioning, which is between collections, which sound like people who are committing longer than monthly and monthly that you talked about, what is the breakup of that of the current quarter gone by? And are there serious differences in terms of the realized price because of people seeking discounting on committing longer periods in these times? If you could link that with the campaign, then that will be very helpful.

V.S.S. Mani: Okay. Before -- fantastic. That Abhishek will give you in detail the numbers. But before that, let me also tell you about the kind of shift that we had over the last few quarters. Now we have the tradition of collecting upfront money from businesses although about, say, four-five years back, 70% of our revenues were actually on monthly payment. I think we have done our own mistakes. We did many things. In the process, we had flipped it, almost 70% of our money got collected upfront and 30% came on monthly ECS basis. So we were in a desperate urgency to kind of shift our model back to the very friction-free model where people can sign in and sign out at will, which is the case in the best -- among the best practices like, Google Pay, PhonePe and others. At the same time, we wanted people to sign up -- have the option of signing up more on monthly payments. So that way we kind of have better collections and more number of customers signing up. We did a good job in the month of February. In fact, if you see, in the month of February, we had a drop in collection. But what we call it as a realizable value, which is actual revenue, which is what would reflect in the future because the monthly collections will reflect there, that has substantially improved and has shown a stable trend. Now unfortunately, third week of March, lockdown, COVID and lockdown had a kind of -- we got a double whammy? How is it double whammy? Because earlier, we used to do upfront collection, so the collections would still grow. So your deferred revenue, you would see a growth in deferred revenue. Over some period, you saw a decline in deferred revenue because the company was shifting to encouraging more customers to go on a monthly payment plan. Got it? So now what we planned is, although the intention was good, direction was right, but we got double penalized -- affected for it. Now Abhishek can explain to us, Abhishek, if you could tell us in March quarter, what was the active number of campaigns and what is active number of campaigns now? So we will know significantly if there is a drop and what's the percentage of drop in the number and the average ticket size. If, there is a way, to kind of tell us, that the drop in new sign-ups and average ticket size.

Abhishek Bansal: Right. Coming to paid campaigns, as I mentioned in my opening remarks, so June quarter end, we had about 445,000 paid campaigns; March quarter end, we had about 536,000 paid campaigns. Realization, if we were to derive basis, top line divided by quarter end number of campaigns, that will not be the right indicator for this specific quarter because in this specific quarter, there was an impact of certain customers not opting for service. For example, when there was a lockdown, certain set of customers said that, "We, in any case, cannot cater to these particular inquiries. So please pause my services for that one month and resume it once lockdown gets over." As a result of that, the revenue recognition obviously did not happen for certain customers for certain days. That will artificially show a drop in realization, but that is not the case. Coming to your question on out of the total collections that we had last quarter, how much would have come from monthly payment plans versus others? So out of the total, about INR 114 crores that we collected, approximately INR 50-52 crores would have come from monthly plans versus the rest coming from upfront payments during the quarter. In terms of ticket size differential, there isn't much of a difference in terms of ticket size when we sell on monthly versus upfront, though there is 7-8% difference in terms of the discount that we offer if you pay upfront for a particular contract. So if it's a INR 1,000 per month contract, in a monthly plan you pay INR 1,000 a month; but if you were to pay upfront, then we allow you to take again, say, INR 11,000 or thereabouts.

Ayaz Motiwala: Yes, right. So one thing is...Sorry go ahead Mani.

V.S.S. Mani: Yeah. One challenging phase during lockdown is even customers who wanted to pay via monthly ECS plan, let's say, the logistical reasons were the paperwork could not be done, so that was also kind of challenge. So if you see the monthly ECS plan that has drastically come down by the February. February was about 70%, during COVID period -- I mean, during this period, I think it's come down to, what, 25%, Abhishek?

Abhishek Bansal: 25-26%.

V.S.S. Mani: 25-26%. So to be honest, it's like extraordinary times, we haven't seen something like this, so unpredictable, so challenging. Although the company from a product standpoint, from many other aspects, was moving in the right direction, but this kind of unnatural kind of artificial kind of a challenge that has come, we're not able to kind of understand how long this will continue. And unfortunately, our business -- our revenues come from actually small businesses, and they are the most severely affected ones right now.

Ayaz Motiwala: Sure. So Abhishek, in the last call also, you have clarified this, on the numbers of monthly versus the other ones were in the proportionate change, right? And it's on the high -- which Mani just called out, it used to be as high as about 70-75%, which has become 50-50. So can you just clarify that, please? On -- when you say upfront, do you mean a longer period than a month? That's what you mean by upfront? What do you mean by that?

Abhishek Bansal: Sure. So a customer can buy a paid listing from Just Dial in two more -- either suppose the listing costs INR 1,000 a month, you can either pay in a monthly payment plan, where you pay one or two months of down payment, and the rest of the amount is deducted on a monthly basis from your particular bank account for which we provide as a standing instruction; the other payment mode is an upfront payment mode, where you typically pay us for the entire duration of the contract, which typically is one year on upfront basis. So in upfront plan, we get that INR 11,000 upfront, revenue recognition happens at INR 11,000 divided by 12, every month. So in the first quarter, I would recognize 25% of 11,000 as revenue, and rest would sit as deferred revenue. In a monthly payment plan, I would get INR 1,000 a month, which will get accrued as revenue in P&L that very month. During the month of February, we had aggressively started selling monthly payment plans with a lot of traction. However, post lockdown, that particular monthly payment plan percentage has obviously dropped because we could not send our feet-on-street to get those particular standing instructions signed from the customer, et cetera. So that is what was the drop of 70% monthly payment plans in the month of February to about 25-26% as of now.

Ayaz Motiwala: Okay. This is very helpful. Thank you very much. And the last sort of ideal question, Mani, for you is at a steady state when these things settle down, where should this mix be between, as you said, an ideal sort of business where you have a free will to the customer monthly plan versus a longer duration, where should things settle down? Today, monthlies are down to 25%, and the other component is 75%. So where should we see...

V.S.S. Mani: So it should be the other way around. It should get back to 70-75% monthly and 25% to 30% on an upfront payment plan. The advantage of the monthly payment plan for the vendor is also that quite a bit of flexibility as well as the campaign signed is kind of perpetual, even as we reiterate every now and then, unless he wants to pause it because he is not benefiting out of it or whatever. So that is best for the company as well because unproductive -- definitely going back to the same client for multiple renewals is unproductive. So if we actually sign up for a monthly plan, it's better for us. So we've already introduced something called a setup fee for all campaigns. So there's a basic cost, which is incurred to get the campaign on board, which is kind of recovered through the setup fee, and the monthly payment is a bonus for the company. As it gains -- so the idea was to get as many paying customers. We've been for a while talking about how to get millions plus customers which is what it truly should be because there are about 22 million business listings. We at least should have million people paying us money whatever the money is. And so hopefully, as COVID and things come back to normal, one good thing I feel that a strong realization has settled among self-employed, other small businesses, medium-sized businesses, almost all businesses that have digital strategy is where they need to focus and invest. And marketplaces like Just Dial are the best places for them. So I would say, in the sense that in a post-COVID era, Just Dial could be inevitable for a large section of businesses, and the money they would spend will be insignificant compared to kind of bang for the buck they would get. So that is the positive thing which I am looking at, which I am very happy to look forward to it. But currently, we are trying to meet our expenses and are capping our expenses such that we don't get into some cash loss. So I would say you know a quarter or two will be even more challenging but post that, things could be phenomenal for us because the ecosystem is favorable for us.

Ayaz Motiwala: And you have mentioned about the B2B portal as well, Mani, in the opening comments, I don't think there was anything mentioned there since you are both on this thing -- yeah, can you talk about that as well?

V.S.S. Mani: The B2B portal, the key thing on the B2B portal is to get digital catalogs of all these businesses. The process is on. The technology is there, everything is built. The beta site is already there. But as we get consent from each of the business owners and their list of products in the descriptions, and the price at which they are offering, so that process is on. Now we are also employing outsource agencies and others to expedite it. Hopefully, we could get done for. Now that, of course, will be a very rich, truly speaking, phenomenal online experience like, for example, an e-commerce equivalent for B2B, where you not only see the manufacturers by listings and generic category, but you actually go to specific products, brands, models, videos, photographs, everything. So that is -- so this whole process is kicked. Now the content creation is -- with the customer approval is what the key here is. And so again, the same thing because of COVID times, there are -- generally, availability of customers, generally, mood is not there, things like that.

Ayaz Motiwala: Okay. And like in JD, the B2C one, you have a focus on certain 5-7 categories, where we are really a dominant sort of player and leader, like we've talked about, the services side of it. Would you have a certain similar focus on sort of B2B as well, which you have a strength on you think?

V.S.S. Mani: So actually speaking, in B2C of JD also, the topmost keyword would be probably contributing to, what, 2% of our revenues, Abhishek?

Abhishek Bansal: So, no single category typically quarterly is more than 3% to 4% of the revenues. So if we have...

Ayaz Motiwala: Highest could be 3% to 4%, yes. Got it. Okay.

Abhishek Bansal: Since they are very diversified.

Ayaz Motiwala: Okay. Okay, this is it. Thank you very much.

Abhishek Bansal: Yeah.

Moderator: Thanks for your question. Before taking next question, I'll announce again, if you wish to ask a question, you may please press '0' and then '1' on your telephone keypad. Next question is coming up from Rishit. Rishit, over to you.

Rishit Parikh: Hi. Thank you. Sir, just two questions from my side. One, I wanted to understand given COVID, right, I mean, what steps are we taking to ensure that consumers or customers are relatively more comfortable from just calling up a SME vendor for services, right? I mean is there any sort of rating system or someone who is a little more careful from a hygiene standard? Because this will be a perfect initiative to just improve that content and provide that additional level of services to customers, right? So that's one. And second, just on the sales processes are we doing anything different to just ensure because mobility for all could be restricted for a little longer time, right? Are we sort of ensuring that collections do not suffer because mobility is sort of reduced and our sales agents cannot travel to customers?

Abhishek Bansal: Right.

V.S.S. Mani: Agents are not able to travel to the customers at all, except for certain Tier 2, Tier 3 cities. No other city, our agents are meeting customers. And till the lockdown completely gets over, I don't think that's a near possibility, so that largely depends on more to do with the government policies, and then, of course, how customers are receptive. So that is there. And as far as COVID-approved employees and all that, see, all that also to verify that it's not easy task. So it's always on the trust basis that you have to go. So it's better that you don't get into those territories of assuring that these are all COVID unless we get into it ourselves, getting them tested and part of the process, which is right now with all the restrictions, I think it's a no-go-zone. But see, I'll tell you one thing, business models cannot be based on flavor of the season, although there could be a demand, the demand will also die very soon. So we can't – and this is a big shift. So what we have done well is to cover as many COVID-related keywords and categories, which are in demand and significant amount of revenue has also come from that kind of keywords. So that is there, happening. But at some point, when we start lending our name to, like I said, some time back, if we kind of book an AC servicing for you or a pest control services, we will ensure that the personnel who comes there is absolutely COVID-free, and there is a test done. Only those type of people are allowed to do.

Rishit Parikh: Okay. So then just -- let me put it this way. Then from a paid listing perspective, we're currently at 445,000, right? Given I think mobility, it could be restricted for a little more while, maybe next two quarters, right? How do we expect when should this come back to our original level of 530,000-535,000 where we were pre-COVID? Any color on that would be really helpful.

V.S.S. Mani: Largely depends on the lockdown actually, nothing much in our hands. Although customers are now trying to do something without physically being in touch with each other, they're trying to do that. So that -- there will be a small improvement, more -- a little more customers will take the courage of signing up, continuing their campaign with us. But things have to come back. Certain businesses are purely dependent on people-dependent, logistical things and all that, so -- or for a marketplace to open and all that. So we cannot predict anything unless the lockdown gets over. Our experience is most customers are trying to postpone are the ones who are like paused their campaign, are saying, "No, no, let's hold it for a month two" and that is there. And new sign ups, obviously, they're saying, "No, we would want to do it, but post this era, and this period ends and all that." So those are the challenges.

Rishit Parikh: Okay. Thanks. And just from a pricing perspective, right, I mean, how should we think about -- how much would have been because of discounting and how much would have been because of the softer aspects, let's say, the mix towards Tier 2 or maybe down-trading of customers or maybe customers deferring for a month or two, right? How should we just start to split and how should we think about realization maybe in the next couple of quarters from a percentage basis?

V.S.S. Mani: So if you see the previous quarter, it got affected because the large cities were actually locked down more than the Tier 2, Tier 3. So obviously, the ticket size would have come down, got affected, everything gets affected. So the ticket size largely depends on when would the larger cities would get opened up and there is normalcy prevailing there. Automatically, things will get back to normal. Otherwise, this will continue the way it is. As far as the businesses signing up new campaigns, well, they are taking lesser risks now as compared to what they used to do before. So the ticket size can be slightly lower or the period committed is much lower than what it used to be. So those kinds of challenges are there. So, okay, let's look at the business this way. The good thing about the business is, because the model is good, the company is still managing its cash in terms of cash inflow and outflow, and the desperate need among the small businesses to get back to normal business, so there's a pent up demand out there, pent up demand from our point of view, to small businesses want to really kick off, that is there. What is holding it? All this lockdown and stuff. So we are optimistic that the post-COVID era will be fantastic. But while during this time, it's going to be challenging, it will continue to be challenging for this quarter as well is our kind of -- as you know, the number is only increasing. Either we -- the government takes the decision, okay, let it go free, let it take its own natural course, but nothing of that sort is visible right now, at least. So we are not able to predict anything.

Rishit Parikh: Okay, thanks. And just one last question on B2B. I think you've given enough information, but just want to understand. I think given again, restricted mobility, given we would not be able to capture the entire catalog, and that's what we plan to do, we should fairly assume right, it will be at least two or three quarters before we'll be able to launch that product? Or do you think -- if you can give any color on the time line would be helpful.

V.S.S. Mani: Yeah. So again, as I said, the content has to be created with both the content owner and us. So the availability, participation, everything matters. So I will say definitely a quarter more, maybe three to four months. If we can do it earlier, it will be good, pleasant surprise to the market. But 100%, we are doing it, and we're doing it at a much better job than what you would expect.

Rishit Parikh: Perfect. Thank you.

Moderator: Thanks Rishit. So next question we have from Vijit Jain from Citibank. Your line is unmuted. Please go ahead. I'll repeat, Vijit Jain. Your line is unmuted.

Vijit Jain: Can you hear me? Hello.

Moderator: Now, you are audible.

Vijit Jain: Yeah, okay. Hi. Good evening Abhishek and Mani. I just wanted to ask quick question back on the campaigns and collections, right? So campaigns are at 445,000 right? And you lost somewhere around 90,000 campaigns this quarter. I just wanted to understand, is it fair to assume that gross adds in this quarter would have been zero, right? So 90,000 reflects a mix of monthly payment plans that have stopped and a mix of annual plans that were supposed to be renewed, but were not renewed. Is that a correct understanding here? And my second question is -- yeah, sorry.

Abhishek Bansal: Yeah. So on the campaign count that we report, that is actually on campaigns, which are being serviced at the end of the quarter. So it's a net effect. So the

90,000 number that you've mentioned, there will be higher gross adds, and there will be -- and there will be lesser gross adds and higher attrition, which would have resulted in this negative impact of 90,000 campaigns.

Vijit Jain: Right. So I'm just trying to understand in the sense that the people who are -- you know the 445,000 campaigns that were active at the end of the quarter, you mentioned, I think that one-third of these are monthly plans, which probably are set to recurring payments through ECS facility and are getting renewed. And a fair bit of the other 70% would be those annual plans. So I'm just trying to get a sense on what the runoff of annual looks like for this quarter? And have you seen any change in the sense of the behavior of people who are up for renewal in July?

Abhishek Bansal: So of the total outstanding campaigns, approximately 20% are annual payment campaigns and rest about 30% are monthly payment campaign. For the customers who signed up during last quarter, by and large, split was around 80/20, 80% of customers took in upfront mode and 20% in monthly plan mode. And the 20% was obviously lower, as we discussed, due to logistical reasons. We anyway could not send our feet-on-street to customers place to do the documentation pertaining to a standing instruction.

V.S.S. Mani: Yeah. One clarification here, it's not always annual plan, we want the customer to sign up for annual plan. But in such uncertain times like this, they may just select a shorter period, maybe for six months advance payment or maybe less. So that will also kind of...

Vijit Jain: Yeah. So I think that answers my question. The point I was trying to understand is the behavior of the campaigners as in how much of what you're seeing as runoff is [indiscernible], in the sense that when you get an active plan or a recurring plan, it gets renewed until you actually stop it. That should be the case for the monthly plan, right, because you mentioned it's an ECS based plan, where you set it for a monthly payment and unless those people opt for a monthly plan actively you stop it, the payments will continue.

Abhishek Bansal: Right. So as we mentioned earlier, we -- pre-COVID which was a normalized scenario, we, on an annual basis, used to have, say, approximately 55% retention of our paid customers, which was on the entire set. So 100 customers signing up today be it in any payment plan mode, say, one year down the line, approximately 45% used to go into year two. Having said that, a part of the customer who did not go into year two could come back into the paid ecosystem one quarter, two quarters or one year down the line as well.

Vijit Jain: Right. Okay. Yeah, I think that answered my question. Thank you.

Abhishek Bansal: Thank you.

Moderator: Thanks for your question. Next we have Prince Poddar from JM Financial. Your line is unmuted. Please go ahead.

Prince Poddar: Thank you for the opportunity. Mani, Abhishek, just want to understand, there has been a lot of discussion about how COVID times are behaving and the next one, two quarters -- I want to talk more about a normal scenario. Let's assume in one, two, three, whatever number of quarters, it goes back to normalcy. I just want to understand, let's say, there are 100 customers, in a normal scenario, what would be the churn of those customers? And where would that maximum churn be coming from, from the monthly customers or from the annual customers? So let's say, in a whole year, out of, let's say, 45 customers were monthly customers who were supposed to renew every month kind of and, say, 35% customers were annual customers who probably would come across the year for renewal. What would be the churn in customers versus -- monthly versus annual? So that it gives us a better understanding of when you are planning a change of product or sales mix, how can it impact the churn ratio?

V.S.S. Mani: See, churn is something you should let it be as it is, whether it's monthly or annually, you don't really think about it. Sometimes, the customer wants to kind of not be part of it, not be part of it. For example, we advertise in certain so many different mediums, we get in and get out, get in and get out. Like the free will of getting in and getting out. And that's what small businesses also behave. For example, seasonal products, you will see a herd of people coming in that category, and as the season gets over, they will get out. And so you kind of let it happen. And also, let me tell you, this is a 25-year-old business. And for the last 25 years I have seen, the so-called churn has been constant at around 40-45%. How does it happen? Mortality of businesses. 18% to 20% of small businesses don't exist same time next year. So how will you renew the contract? Then there are people with a free will, they would want to get in and get out, so that is also there. But despite there being 45% churn, for the last 25 years, we have continued to grow in the number of campaigns and the number of customers paying us. For example, what it was like 25 years, obviously, you can imagine what the number would have been to at a peak of which is 0.5 million plus. So this is one area which none of the online Internet medium really bothers about, churn and all those things. It's all about user delight, reward users what he wants, and moneymaking becomes incidental and incidental part of it just come with the right pricing policy and right kind of a mix such that you kind of be able to grow both in value -- ticket size as well as the number of new people trying it out. I agree, when we grew the best, what's more to do with ecosystem at that time, I'm talking about good 8-10 years back when we were really growing at 40-50% at that time because we rode the telecom wave, we rode the broadband wave and all those things, so everything was going great. Then we went through the disruption era where a lot more things happened in Internet, billions of dollars poured in, only on focusing on disruption and all those things. The small businesses were getting affected. How can they not get affected because of the launches. Obviously, there could not be a reason they dropping out because you are not effective. It's just that they're not able to run their business because of the new changed scenario, so that is the...

Prince Poddar: So actually, Mani, the basis of my question was actually what I have seen, I might be wrong, that most of the churn happening in any kind of sensitive time happens from the monthly customers. And let's assume -- let's go with the number which you mentioned, 45% churn, out of which 18 -- 17%, 18%, 20% is the natural mortality, you cannot help, right? So assuming just the mortality case, that 20% of the businesses go out of business next year, so essentially to grow even by 10%, you effectively have to grow by 30% on your last year customer base who has existed essentially. And obviously, that 30% growth on 400-500,000 paid campaigns is not an easy task. So assuming you go more towards -- your mix goes more towards a monthly customer, this churn might or might not -- might also increase, which will make it even more difficult. That is where I was coming from actually.

V.S.S. Mani: No. Not really. See, actually, it's not really that way. For example, if I ask you this question, if you are a customer, okay, [indiscernible] customer, I give you a choice of monthly payment and upfront payment, what would you choose?

Prince Poddar: Absolutely monthly. Obviously, customer choice...

V.S.S. Mani: Okay, great, no worries, great. Now let's ask you the next question. So if I give you a choice between compulsory upfront payments -- sorry, if I say compulsory upfront payment or monthly payment, where will you spend more value per month, where you are likely to spend more value?

Prince Poddar: Obviously, one month, monthly payment.

V.S.S. Mani: Because monthly payment plan because it is easy to pay, kind of almost like earn and pay...

Prince Poddar: [Voice Overlap].

V.S.S. Mani: Or in the first two months when you give an advance, you are kind of going to commit a higher value, more number of people will also sign up. So as a company, how do we grow? We grow with a good mix of larger number of businesses paying us money and a higher value per customer. Then, do we make it like so rigid that they only get in as annual, and then we'll fund our growth, which we did. We have learned it. I can write an essay on what mistakes we made in the last three, four years, you know for four, five years, that is, a whole lot of mistakes. So what we feel right now is the world's best models are friction free. They really do not bother about who gets in, gets out and all that. They make it easy for people to get in, easy for them -- even as easy as to get out, and they continue to prove value for the money spent and always remain the best among the competitive regions. So I think we'll just have to focus on that. Everything will play on its own.

Prince Poddar: Got it. Got it. Thanks Mani.

V.S.S. Mani: [indiscernible].

Prince Poddar: No, no, no. I just wanted your views on that. That's very helpful. Thank you.

V.S.S. Mani: Thank you.

Moderator: Thanks for your question. The last question of the day is from Mr. Shaleen Kumar from UBS. Your line is unmuted. Please go ahead.

Shaleen Kumar: Yeah, hi. Thanks [indiscernible] Mani or Abhishek. Guys, if you allow me to be [indiscernible] advocate on your B2B initiative, right, so the argument here is, why should you guys grow if there is a very strong leader, and [indiscernible] been there for more than 2 decades, leading there and, therefore, [indiscernible] effect. For better visibility, I'd like to draw analogy from your own platform where you are a leader in B2C. And we've seen like three, four years back, there were competitors like Sulekha [indiscernible], et cetera, that couldn't do much in B2C space. So why should you guys be able to do something in B2B space where there's a formidable player, leader, et cetera?

V.S.S. Mani: No, it's not correct to say. See, the substantial part of our revenues come from B2B play, okay? So almost like, what, INR 220 crores, Abhishek, what's exactly the number?

Abhishek Bansal: Yeah. Approximately 20-22% of annual revenues, approximately INR 200 crores annually.

V.S.S. Mani: Yeah. And if you had gone back in time, it would have been higher actually in B2B. Now, see, the thing is about what is B2B, B2C? Basically, what are we trying to do? We are trying to help a buyer meet the seller or the seller meet the buyer. And it really does not matter whether the product is of B2B in nature or B2C in nature. But because of the telecom boom and internet -- early days of internet and all that, we were a darling of -- on the B2C side on the consumer side. But did we leave a lot of opportunity on B2B front kind of give it away -- I mean, didn't focus on it. Yes, of course, we did. Also with the changed ecosystem in the last three-four years, the B2B businesses have realized the best strategy for them is digital. There's nothing but digital. So there is enough appetite, enough market for a couple of B2B portals to exist out there. So there's no such thing as the market is taken away, like the dealer and all that. And leadership is all a matter of time, okay? Today, somebody is leader, tomorrow -- there was a time that our market cap was more than all the Indian internet companies put together in India, okay? And today, our market cap is probably a fraction of one of those companies. So these things keep changing. I think companies have to learn from their mistakes and set it right. As far as JD is concerned, every keyword matters for us, every business matters for us. So anywhere there's money being spent, money being made, JD should be part of it. And that will be the thing, but the product offering has to change with times, and that's what we are doing with this.

Shaleen Kumar: Sure, sure. Sir, like, but the counterargument on the first thing you said you have almost 20% of revenue coming from B2B. Isn't the discovery -- like, the nature of that revenue discovery as a business? And here, we're talking about more of a product -- discovery on a product basis. So effectively, as a [indiscernible] can we expect, that B2B which is a discovery in nature, to remain intact and when you launch B2B and start monetizing, we should see, you know, a delta of revenue to come, right, which from -- probably from the product catalog, et cetera, for the efforts you guys are putting in. That's an additional stream, which we would like to see. So how -- am I correct? Is my understanding correct? Is that the way we should look at it?

V.S.S. Mani: So barely audible you are, I am not able to get to you, but all I have to say is I think the understanding should be such that B2B, what's a B2B opportunity? For example, you want to buy a powder coating machine, okay? Now you obviously run an industry, you know what a product coating machine is. What would you want to see? You want to see a catalog of powder coating machineries, different machineries available in India, people selling from different parts of the country, or a textile machinery, or a ball bearing or a lathe machine, any such thing, which is industrial in nature, or it could be something which is targeting at both B2C and B2B. What people want is product in terms of representation, by way of images, pictures, description, price, delivery kind of period and stuff like that. So there's a lot of stuff, which the purchasing manager, the procurement manager has to do, it's kind of done by the portal. Everything is ready-made and kept. What's wrong in JD getting into it and getting into every product that is manufactured or sold in India? Absolutely, we should be doing it. Not only that, every product that is sold on stores, we should get cataloged those also. Every product that is sold in a shop, establishment, anywhere in the country, we should catalog that and make it available online. The lead could generate from online, the order could be placed online, and at least those businesses get another channel to promote their where -- in a far better manner, that's what we are doing.

Shaleen Kumar: For sure. Great. Thank you. Thank you. That's it from my side.

Moderator: Thank you so much. With this, I'd like to now hand over the floor to Rishit for the final remarks. Over to you, Rishit.

Rishit Parikh: Any final remarks from the management?

Abhishek Bansal: Yes. Thank you, everyone, for joining us. Hopefully, by our next earnings call, we would be having a much better economic environment. In case you have any further queries, please do reach out, we would do our best to address. That's it from our side. Over to you, Rishit.

Rishit Parikh: Perfect. Thanks, everyone, for joining in.

V.S.S. Mani: Thank you so much.

Moderator: Thank you so much speakers for addressing the session. Thank you participants for joining in. That does conclude our Just Dial call for today. You may all disconnect now. Thank you and have a pleasant evening.