"Just Dial Limited Q3 FY '21 Earnings Conference Call"

February 01, 2021

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MODERATOR: **MR. RISHIT PARIKH – NOMURA HOLDINGS INC**

Moderator: Ladies and gentlemen, good day, and welcome to the Just Dial Limited Q3 FY '21 Earnings Conference Call hosted by Nomura. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this call is being recorded. I now hand the conference over to Mr. Rishit Parikh. Thank you, and over to you, sir.

Rishit Parikh: Thank you, Raymond. On behalf of Nomura, I would now like to welcome you all to Just Dial's 3Q FY '21 earnings call. We have with us the founder, CEO & MD – Mr. V.S.S. Mani and the CFO of the company – Mr. Abhishek Bansal. Without further delay, I would hand over the call to the management. Over to you, guys.

Abhishek Bansal: Just Dial's earnings call for third quarter of fiscal '21. Operating revenue stood at Rs. 169.5 crores for the quarter, which declined 28% year-on-year and grew marginally 1.2% Q-o-Q. This Y-o-Y drop primarily reflects the catch-up of accrual revenue with lower collections, which we have been witnessing since March 2020 due to COVID-19 impact. However, with lockdown easing, monetization has been on an improving trajectory and 3Q FY '21 collections had a relatively lesser decline at 13.6% year-on-year. Sequentially, 3Q collections grew about 22% quarter-on-quarter and overall monetization currently stands at approximately 80% of pre COVID levels, which I think is reasonably healthy considering the severe impact COVID-19 has had on SME community.

Operating EBITDA, adjusted for noncash ESOP expenses stood at 48.2 crores for the quarter, declining 32% year-on-year, primarily due to lower top line. Adjusted EBITDA margin stood at healthy 28.4% for the quarter. Sequentially, there has been some decline in margins in percentage terms due to 5.2% quarter-on-quarter increase in our employee expenses, which in turn was primarily due to higher headcount. We have now resumed hiring primarily in sales, and sequentially our headcount was up 10%. Other income for the quarter stood at 30.4 crores. Net profit for the quarter stood at 49.9 crores, declining 19.5% year-on-year.

Coming to operational highlights. We had curtailed our advertising spend from April '20 to optimize on our discretionary costs in light of COVID-19 impact. Majority of traffic is presently coming organically without any advertising. Organic traffic has recovered well over the past few months. And ad spends are also now resuming gradually. Overall, we had about 132.6 million unique users for the quarter, which was down about 15.6% year-on-year. Once our advertising comes back to pre-COVID levels, we should be higher versus our pre-peak traffic levels of last year. Total active database stands at about 30.2 million listings. And paid campaigns at the end of the quarter stood at about 454,000 campaigns.

Coming to cash and equivalents, that stood at approximately 1,510 crores as on December end. On the product side, our new B2B portal, JD Mart, is being launched as we speak. You shall soon see advertising campaigns around the same. It is great to see efforts of almost 13, 14 months fructify into launch of this comprehensive user-friendly B2B platform. Endeavor shall be to scale this platform to become India's go-to destination for any business, be it wholesalers, distributors, manufacturers, retailers over the next few years. Overall, as I see, it is good that traffic has recovered well and monetization is catching up too. In few more months, we should start growing versus pre-COVID levels as well. COVID has helped us bring in a lot of efficiencies in our cost structure, which are healthy for the business in the long run. COVID-19 has definitely accelerated digital adoption among SMEs, which should bode well for our business. With this update, we will now open the floor for questions. Thank you.

Moderator: Thank you very much. The first question is from the line of Rishit Parikh from Nomura. Please go ahead.

Rishit Parikh: Just a couple of questions from my side. Viewing that JD Mart is now live or expected to be live soon, right, could you provide a little bit more color on the pricing across marketing categories? And also, if you could just provide what services will be built in as a part of the recent product? And what are the plans from a next 1- to 2-year perspective on that product-as-a-services piece? And just lastly on that piece, any update on the recent dispute with IndiaMART?

Abhishek Bansal: So firstly, on JD Mart. So, as you mentioned, on the services part, firstly, I'll take that, so JD Mart will be a platform where all retailers, distributors or any kind of B2B supplier can list their products. People would be able to search for these particular products, get comprehensive information. As far as businesses are concerned, they will even be able to avail additional services such as logistics, right from hyper local to local to national to even international. Apart from that, we are also signing up for additional services such as working capital related funding or insurance-related requirements. So essentially, the idea would be that this particular platform will enable any B2B seller to become online to avail any services that they require to run their particular business efficiently. As far as pricing is concerned, so there will be multiple packages on offer for our customers. These particular packages will vary depending on the type of category, will vary depending on the type of geography. The core essence shall be that if you take up a subscription on JD Mart, there are certain items that you will get. For example, our comprehensive digital catalog for your business, a JD verified or a JV trusted stamp for your business, depending on whether you qualify. And apart from that, obviously, you will get a certain assured number of inquiries for the amount that you pay us. And in order to give comfort to SMEs, we are planning that whatever amount that SMEs will pay, that will be deducted only against the inquiries that we shall be delivering to them. So, in Tier-1 cities, packages could start anywhere from, say, around Rs. 25,000, and as you go higher, the unit price for each inquiry that you receive will be lower. And similarly, pricing would vary across categories, across geography.

Coming to your second question on update on the recent legal dispute. See, as far as legal dispute is concerned, let us first briefly understand what the plaintiff players are. So, they have taken an ex parte order where court has mentioned that there should not be any proprietary content of a third party on JD Mart. JD Mart should not have same look and feel as that of plaintiff's platforms, et cetera. And we are very clear from day 1 that we do not intend to infringe on anyone's copyright. There is no restriction on launch of JD Mart. And JD Mart's app and websites are getting ready as we speak. And once these platforms are launched, it will be out there for everyone to see whether there is any similarity with any other system, be it plaintiff's or any other portal, even globally. Our portals were not even launched so there is no question of any commercial exploitation or any violation. Having said that, the next hearing of court case is on 16th April, and our legal team is taking appropriate actions. At this time, there is a lawsuit which Just Dial has initiated against the same plaintiff saying we came across mass infringement of our proprietary data pipeline. The next hearing for that case interim relief is tomorrow. So overall, we are clear that we don't intend to infringe on anyone's content, anyone's copyright, and at the same time, we shall do whatever it takes to protect our content, our interest.

Rishit Parikh: Understood. So just to clarify that we'll have a more differentiated pricing across markets and across geographies, it could differ across categories as well, is that the case? Or...

V.S.S. Mani: We shall keep it as simple as possible. There'll be an entry-level ticket size, which will be affordable for all kinds of businesses. B2B is so vast, there's a range, which you can have vendors who are willing to spend much, much more than what certain categories can. Certain categories can be very localized, very industrial area specific and things like that. So, what we do is we are assessing the market. Initially, we'll go with 1 standard offer price and then evolve. But the thing is, like Abhishek said, it will be all comprehensive solution for a vendor. So, you will get a digital catalog, even a website or an app and things like that, which is part of the package. You can get everything in under 1 group, and that's what we're trying to kind of solve all those problems to reach out to customers.

Moderator: Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya: My first question is regarding the traffic. Since you said that you have already started spending on advertisement, so can we expect for the next quarter, the traffic to be in line with the previous quarter or your spending is still curtailed because of the cost-cutting measures, and it might take a little bit of while for traffic to go back to pre-COVID levels? So that's my first question.

Abhishek Bansal: So Pranav, on advertising, we spent only about 80 lakhs in last quarter, majority of which was spent in December month. So, advertising still, as far as spending is concerned, is at much lesser levels versus pre-COVID. However, at this point of time, that decision is not due to any curtailing due to COVID impact etc. It is more that we were waiting for launch of our upcoming platform, and we wanted to align our advertising campaigns around the same. So as and when the platform gets launched in next couple of days, subsequently, we are working on new advertising creatives as well. And over the next couple of months, you shall see advertising campaigns for JD Mart as well as revamped campaigns for Just Dial overall as well.

V.S.S. Mani: The JD digital ad campaign is almost going live. In any case, it's going to be keyword specific. And nondigital ad campaign or rather let's say, the video format of the ads, you will see 2 series of ads. One would be to promote JD Mart and JD Mart related product and launch and all that. And soon, it will be followed with, once that campaign gets over, then the regular Just Dial keyword ads, which are much more funny ads and short and sweet ads, that's what you would see. So, in this year, you would, in all probability, see a Just Dial spending rather than say in the coming financial year probably double what we spent in the previous years. So, we're going to compensate for what we've not spent in 2020 and double our spend in next financial year.

Pranav Kshatriya: So I mean, just to summarize, Q4 will be a sort of transitionary quarter and Q1 FY '22, we will see a much elevated level of spend, that is because the JD Mart digital campaign will go live as well as, sorry, JD Mart as well as Just Dial codigital will go live?

V.S.S. Mani: Yes, absolutely. That's right.

Pranav Kshatriya: So, my second question, you partly answered that, but basically, I wanted to understand how the cost we should look at it? Other than advertising, I do see a healthy addition of employee during the quarter. So, is that a normalized and you've done a fair bit of hiring? Or there can be scale-up happening here also?

V.S.S. Mani: No, you will see more hiring on sales. See, there was an obvious reason where we couldn't hire as many people that we would have preferred, especially for sales and sales-related activity. So, you will see a lot of hiring as well as appointment of these sellers. So, you will see both these activities scale up in this quarter. And probably in the next earnings call, we will have a much healthier headcount in terms of sales personnel. Now that the lockdown story is over, whole of India is open, the trains have started functioning in Mumbai and everything looking okay, there's no point of us delaying hiring further and strengthening our team. So coming few quarters, you may just look at we won't bother about, although we have been accused of being a profit-obsessed company, you will see that there will be a change in the characteristics and we would be more investing into our products and investing a lot more on marketing and advertising.

Pranav Kshatriya: Very helpful. Just one last question on, more of a book keeping question. We have seen very healthy other income during the year and that was largely because I think interest rate coming down. And that also benefited on the tax rate also for the year. How should we see this getting into FY '22?

V.S.S. Mani: See, the treasury team separately works on these ideas from time to time depending on what gives us the best yield. So, if there has to be a need for intelligently switch from one scheme to the other in terms of, we only invest on debt funds, by the way. And if we feel there is a view, we, of course, when our consultants tell us there is a view that in the near term the interest rates would be just climbing up, so we may switch from certain bonds to certain other types of mutual funds which may give a better yield of the debt funds.

Abhishek Bansal: So Pranav, definitely we are benefited from lower yield. At this point of time, yields are at, whatever, 5.5%-6% levels and average maturity of our portfolio is around 3 years or so, which is basically to make them tax efficient. For tax rates, it is pretty straightforward, the core business income attracts almost full tax rate, though there are certain small deductions that fit. So around 24% is what we pay there. And other income attracts about 12%-13% blended tax rate.

Moderator: Thank you. The next question is from the line of Vivekanand S. from Ambit. Please go ahead.

Vivekanand S: I have a couple of questions. One, the headcount ramp up that we are seeing now, these are mostly addition of sales employees. What kind of specialized talent do you think you will need to hire for the B2B experts operation? And Mani, I know that you commented that we will get to know this maybe in a quarter's time. But if you can talk about the non-sales headcount that you plan to hire for these new ventures that would be great?

V.S.S. Mani: Non-sales talent has been hired, in fact. It's pretty much in all these initiatives. And in fact, further getting boosted in terms of product, technology and content-related heads, so that's on, and it's already, I would say, quite an extent achieved. Yes, go ahead with your next question, please?

Vivekanand S: So next question is on the state of activity as far as the SMEs are concerned. Your commentary seems to indicate that there is reason to be somewhat optimistic of a full-fledged recovery in fourth quarter. How confident are you of coming back to a 10%-plus revenue growth on the non-B2B part of the business based on what you are seeing on the ground now?

V.S.S. Mani: So obviously, our goal is to first reach the pre COVID number, which is pre COVID run rate that we were at, which is a good 30% above what we have achieved so far. Large percentage of our revenues come from services sector and also most of it from B2C. So, among the worst affected were the B2C and services sector. Now with opening up of the economy and all that, you would see that, that very fact that they're all being able to do their business on day-to-day basis properly, it should come back to pre-COVID number. Post that, of course, we have to show that at least by the end of next financial year, same time, it should be growing as compared to what we did in FY '20 Jan-Feb, which should be at least 10%-15% growth. Now all these are in plans. So, lot of things are dependent on the ecosystem, some of it like initiatives and efforts from our end. So, we have now rolling out one after another efforts, whether it's starts with marketing, hiring people and whatever it takes to get deliver a great product. And hopefully, the economy looks good overall. Everything is looking good. Even the budget is looking great. So, we are just very optimistic. In the last 4 quarters, we have not been so optimistic as we are now.

Vivekanand S: And would you like to elaborate on the hiring that you did on the product and tech side? I think I asked my second question before you could complete that?

V.S.S. Mani: So, what we have done is in all our new initiatives, we have taken key heads to run the business, the product or we have groomed some of the existing talent pools to focus only on a certain specific product, for example, B2B. Then within B2B there is content generation team within B2B there is a team that works on certain key aspects do with the key words, the whole taxonomy that goes with that, all those things. So, there is a lot of resources that are required. So, there are clear-cut owners for these resources.

Moderator: Thank you. The next question is from the line of Aaron Armstrong from Ashmore. Please go ahead.

Aaron Armstrong: First question would be around JD Mart piece. Would you be able to give any update in terms of adoption rates? And perhaps the level of existing Just Dial customers that have onboarded with JD Mart, have their product catalog set up and any kind of numbers you can give us a feel for, please?

Abhishek Bansal: So, on JD Mart, as far as the user traffic, et cetera is concerned, we'll be able to ascertain once the platforms become live. On the content side, we have about 6 million-6.5 million listings out of the total 30 million listings that Just Dial has. These 6 million into B2B. Within these 6 million listings, our endeavor is to get very rich catalogs for approximately 1 million businesses. So, at this point of time, we are at about 250,000 to 300,000 of them, and we are augmenting those on a day-to-day basis. So those efforts are on. And once things get launched this particular week, then gradually traffic shall also start scaling up.

Aaron Armstrong: And do you have ambitions over the medium-term to expand. Would you like to monetize that base of 250,000 to 300,000 of the catalog listings, how many of those you'd like to convert onto paying plans?

V.S.S. Mani: Our key interest is right now to have every B2B vendor out there to participate in this marketplace. We thought like even it's worth giving a good 60-day trial period for them to come on board and assure them the kind of catalogs they can have, the kind of leads that they could see. Of course, to grab the leads they have to pay to come into the paying ecosystem. So, you can say more like a Salesforce.com kind of an approach, like set it up for them and then let them kind of have a feel about it and then start paying it. So, in the very short term, we do not expect too many conversions. But in like 6 months to 1 years' time frame, we will have some significant number of paying B2B vendors. And what about B2B vendors are paying competition today, about 80% of them, they do not pay us a single penny today, as of today. So, we intend to convert all the low-hanging fruits and because they are converted souls, so that's where we would probably target. And there are large medium-sized corporates they're also trying to reach out to consumers directly or via distributors and all that. So, within the combination of the 2, we should be able to do decent revenue by the completion of 12 months. In the first 3 months, I would say, our obsession would be to create as many catalogs, create awareness to have a right to create a free catalog of their own.

Aaron Armstrong: And then final 2 questions for me. One would be in terms of any cost savings. So, you've had a chance to assess everything that's going on with the pandemic. Things like working from home, reassess headcount any kind of longer-term cost savings or cost inflation on the other side? And then final question for me would be, any update on the JD Xperts project, please?

V.S.S. Mani: JD Xperts, you have to wait for the next quarter. We didn't want to really launch a couple of products at the same time. But that's on cards, the work is in progress. Regarding the pandemic, of course, we've learned a lot, that there's a lot of stuff which could be done working from home, working from anywhere. That gives us access to a certain different quality of resource, actually, which is quite unused in middle class homes in India. So we are quite excited that once this opening up happens that we are looking at those talents, and we don't want them to ever come to work, where we want them to work from wherever they are and deliver, and that could be a nice combination of fixed and variable model. So, this is actually a big discovery. Thanks to this work from home culture. As far as overheads and other things are concerned, Abhishek should be able to tell you better. Generally rental overheads and those kind of stuff where you spend only 5%-6%, I guess. Abhishek, you should be able to tell?

Abhishek Bansal: So as far as our other expenses, excluding advertising, are concerned, they are almost down about 15% versus pre-COVID levels. So, for example, we have been able to optimize on our rental expenses, and there are certain expenses obviously linked to those such as power and fuel etc. Then we are working to optimize on our tech and IT-related spends as well. Nevertheless, the majority of the operating expense is in employee costs. So, these other expenses, to the extent possible, they have been quite optimized, and it is a recurring sort of activity.

Aaron Armstrong: And that's 15% saving that you mentioned, is that short term? Or do you see that sustaining over the coming quarters or years?

Abhishek Bansal: We do see that to be sustaining for good long-term because whatever optimization that we could do on rentals, they seem to be permanent in nature as of now.

Moderator: Thank you. The next question is from the line of Abhilasha Satale from Dalal & Broacha. Please go ahead.

Abhilasha Satale: Sir, my question is, overall, if we see, the economy has revived in Q3, like most of the sectors in economy have revived, spending has revived. However, like our traffic growth has been lackluster, commensurate to the what recovery we are seeing in the economy. So, is it mainly because of our advertising spend has been lackluster or is there anything else, which has contributed to this? And in Q4, do we expect that this 230 crores - 240 crores of quarterly run rate to get achieved as our advertising spend comes back to the normal level?

Abhishek Bansal: See on the traffic, historically, if you would have seen Q3 tends to be a slightly softer quarter because there tends to be a couple of festivals, then the year end activities. And during that particular period, overall, the online traffic for a commercial-intense search-oriented platform such as ours tends to be somewhat affected. Having said that, organic traffic at this point of time is already at a higher level versus pre-COVID levels by almost 8%, 10% or so. So as and when we resume our digital advertising, this particular traffic should be, say, around 20%-25% higher versus the reported number that you see at this point of time.

Abhilasha Satale: And how has been our churn rate in the quarter? Are we seeing quarter-on-quarter improvement in that? And either advertising spend improves the active paid customer base to increase commensurate to that because the churn rate will also come down?

Abhishek Bansal: So, churn rate, we typically do not look at it on a specific quarter-to-quarter basis. But yes, overall, in last 3 quarters, churn was, to an extent, higher versus the historical average, simply because due to COVID, certain set of customers would have delayed their decision to renew their digital campaign. However, now, as I mentioned in my opening remarks, that we are almost at 80% of pre-COVID levels. Now gradually, some of those particular customers are definitely coming back. And in, say, a few months, as and when we reach those pre-COVID levels, our churn rates or retention rates should be back in line with whatever our historical trends have been.

Abhilasha Satale: And the last one, say, on JD Mart, you will be launching a couple of days, as you said. So, as we are talking about the launching of JD Mart and monetizing, and first 3 months will be stabilization period and afterwards, we will start monetizing. So, what are our internal target to reach, say, over the next 12 months or 24 months and even long term, say, 3 to 4 years, so how are we seeing this model stabilizing in the short-term as well as in the long term?

V.S.S. Mani: See, JD Mart is solving a problem. So, there is a whole lot of B2B vendors who are looking at a more effective modern way of promoting their products and distributing their products. And JD Mart is solving that problem. It's also going to the next level of not only creating digital catalog and putting their products in the marketplace, but also helping them with state-of-art website even if required an app and then the complete digital solution. It's like a complete codigital solution that we are giving it to them. So, you would see that as the product progresses, and we are able to cater to a particular need of businesses, adoption rate should be much higher and there should be decent commercial gain for us in terms of revenue. Currently, we make just about 200 crores revenue from B2B section. I mean, I'm talking about pre-COVID level. We were making about 200 crores of revenue. Let's take that as the base, that base should substantially grow from what it is because at that time, we didn't even have a product. There's no marketplace at all. So, in that sense. So, with this kind of a product and marketplace available, there are a number of vendors participating as well as the value that they spend with us will be substantially higher.

Abhilasha Satale: But do we have any number in our mind, like we want to reach, say, double the revenue over the next 12 to 18 months or 24 months? Anything specific?

V.S.S. Mani: One step at a time. I mean, what looks like when you look at, overall opportunity is so huge and what we are achieving right now is so low. I think any number we put, we can go wrong, both ways. So, it's better to execute, stay focused. Doubling the revenue, is it possible? Yes, why not? I mean, we've got a product. If we're able to do 200 crores of revenue, then with a decent product, why not double the revenues? But can we do it? Well, that's a lot of execution questions there, whether we'd be able to do it or not. So, one thing at a time. First, deliver a good product and then get the people on board, let every B2B vendor be aware of this product called JD Mart. And obviously, the traffic once that comes through Just Dial and through other methods, organic and inorganic, you will see this will definitely be one of the best launches from Just Dial, ever.

Abhilasha Satale: And as you are launching, what are the biggest challenges in your front. Is it the competitive intensity or the user base itself because SME, MSMEs are less aware with the technology. And so, what do you feel are the biggest challenges of not achieving the goal what you are targeting?

V.S.S. Mani: The market opportunity is so big that there is no question of competition taking away and all those things. Everybody can try if we do deliver a great product. Eventually, it's all about are you able to deliver value to them? Are you able to deliver quality leads? Are you able to deliver transactions to them? And that's where we are working on those trends. There's a lot of gaps in the market, which we can fill it up. And there is also this whole opportunity that opened up because thanks to the new awakened business community, which is thinking like digital probably should be the key digital-first strategy for their business. So I think the timing is perfect this time. So, I feel that there is no issue about any challenges. The challenges like any other business is on those minutest details that we have to do and get into execution process. That's what is, I would call it, as a challenge.

Abhilasha Satale: And this is the last one. Do we have traffic share like in our B2B segment? Like, have we worked out that number?

V.S.S. Mani: Next quarter onwards, we should be able to give you that data breakup. And Abhishek if you have any, you can share right now.

Abhishek Bansal: No, so far, we do not segregate traffic between B2C versus B2B etc. So once JD Mart gets launched and we see traffic evolving on that, at that point of time, it would be more relevant to discuss that. In any case, overall, we have always mentioned that B2B typically contributes about 20% to our business, be it in terms of revenue contribution or even in terms of volume contribution.

Abhilasha Satale: No. I meant market share, traffic market share in terms of our B2B segment.

V.S.S. Mani: Most likely going to be to 20%. We can only pick a number and tell you right now from the thin air. We would rather give you a breakup in the next quarter. So, you are saying market share, it's a very hard thing to talk about because when you don't have a marketplace in the first place, how do you arrive at a market share? So, once you have the product, then 6, 8 months down the line, you should be able to compare market share in terms of traffic or monetization.

Abhishek Bansal: Yes.

Moderator: Thank you. The next question is from the line of Manik Taneja from JM Financial. Please go ahead.

Manik Taneja: Just wanted to get some clarification around the advertising spending that you are looking that you will be stepping that up. So, should we see, given the fact we've practically spend nothing this year, should we see the spending being significantly higher than the close to about 60 crores that you spend annually, that's the number that we've spent over the last few years. Should we see a material increase there?

V.S.S. Mani: Yes. As I said, since we didn't spend significant amount of money in 2020, FY '21, so this FY '22, you will see that we are going to spend substantial amount of money in terms of advertising and marketing and we have enough reasons to do so also. So, 60 crores, we could probably be spending double the amount.

Moderator: Thank you. The next question is from the line of Rishit Parikh from Nomura. Please go ahead.

Rishit Parikh: Just wanted to understand what is the sales strategy essentially? You talked about some of the low-hanging fruit, right? How do you essentially plan to sell? What are the key low-hanging areas that we could sort of convert in the next, let's say, maybe 2 to 3 quarters, 3 to 4 quarters? And from the current, let's say, paid listing number of, let's say, 90,000 to 1 lakh, right, what are we looking to achieve from the next, let's say, 2- to 3-year perspective? Any color or any projections or internal strategy that you've talked about would be helpful.

V.S.S. Mani: See, on the targeted customers, obviously, when we say low-hanging fruit, it means one set of converters, ones which are already doing some effort on digital media are the first ones to reach out to and create a comprehensive digital catalog for them. Secondly, since we have been in this business for 25 years, we exactly know which are the popular businesses in the very same B2B space in each category. So, we know these popular businesses creating their catalog and converting them into the paid ecosystem, which means we have far better quality, verified, trusted vendors. And it's a win-win for all, including the users as well as the vendors and Just Dial. So that's going to be our target area. So hypothetically, let's say, there are 10 million businesses to go after, maybe the first 200,000, it could be of our super important, what you call, businesses to reach out to. And next, we go to the next level of 200,000. So that's how we're going to follow. It's not just about reaching out to these businesses, it's about capturing every minutest detail about their products in every possible way, as which content as possible, photos, videos, minimum order quantities, price, the works. So, there's so much to do in this.

Rishit Parikh: No. So essentially, the question was, so while you've already created a large catalog, right? So that the catalog is available, now the question essentially is how we convert them to say what will be the selling point, key selling point that let's say when Just Dial, say...

V.S.S. Mani: No. Like Abhishek said, like there is whatever investments they do, those money is kind of with some kind of an assured kind of leads and they get. So that itself is good enough because Just Dial has been around for 25 years of all, and then we give a new product. Anything, anywhere they could hesitate is about investing that kind of money, but when you are assured that you will be **(Inaudible) 39:14** value, till that value is delivered, your campaign doesn't go for expiry. So those are good enough hooks to get these people to come into the paid ecosystem. Most importantly, they are already willing to spend that kind of money because that's the bare minimum they do to grow their business. They have a budget. So, we just have to make sense to them. This is like a very safe investment, and there is a bang for the buck here, and probably much better than the other mediums that you have.

Moderator: Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya: Abhishek, can you just tell us how the collection run rate has been for the exit month or even for the month of January, if the number is available?

Abhishek Bansal: So, I think best is to look at it on a quarterly basis. So, 80%, 82% is the run rate that we have recently seen.

Pranav Kshatriya: I mean, sorry to probe into a bit because if I look at collections for this quarter is down only 13% Y-o-Y. So, when you say 80%, 82%... ?

Abhishek Bansal: So, 13.6% is Y-o-Y decline. When we try to benchmark internally with pre-COVID levels, we typically try to see what is the average level for the year. So, for example, last full year, if I see, our average was around, say, 80 crores a month. And so recently, we are at approximately about 65 crores a month.

Pranav Kshatriya: And so, if I look at even from the trajectory, I mean, Q1 was 50% down, Q2 was like 30% down, then now 15% down. So, I guess by that trajectory itself, Q4 should be flattish to possibly increasing. I mean, or given how things are panning out, you think there could be a different shape?

Abhishek Bansal: No, it should be better because as far as collections are concerned, March, which typically tends to be a relatively stronger month for us, last year, March '20 got severely impacted due to COVID. February month also, our collections were, to some extent, impacted because we had aggressively adopted monthly plan strategy. So just on an optical Y-o-Y perspective, yes, this particular quarter should be much better. However, instead of benchmarking, just to the March quarter last year, our benchmark would be to, say, about 80 crore per month kind of run rate, how soon can we achieve that?

Moderator: Thank you. The next question is from the line of Vivekanand S. from Ambit. Please go ahead.

Vivekanand S: Can you please talk about the traffic mix Tier-1 versus Tier-2. And would it be possible for you to update us on the listings, paid listings mix and also the revenue mix?

Abhishek Bansal: So as far as the traffic mix is concerned, traffic mix is almost about 50%, 50%. Now 50% of the traffic comes from Tier-1 cities and rest about 50%, 52% from Tier-2, Tier-3 cities. As far as revenue contribution is concerned, Tier-2, Tier-3 cities contribute about 32% to our revenues. And as far as their contribution to paid campaigns is concerned, they contribute about 55%.

Vivekanand S: And can you talk about mix of your packages now? Because I remember that just when we were heading into COVID, you pivoted towards a monthly package strategy. And now when we are seeing your collections improve and inch back to the pre COVID level, we are seeing that your deferred revenue is building up faster than your revenue recognition. So, it seems as though you are onboarding more longer duration packages. Is that the case right now? And is that also a reflection of the nature of your packages, like more premium packages returning first before the nonpremium ones. Any color on this?

Abhishek Bansal: So as far as monthly subscription versus upfront payment plans is concerned, post COVID, definitely our teams have focused more on upfront payment plans because in order to do documentation for monthly payment plans, the accessibility was not that great. Though there is digital option as well to sign up monthly plan contracts, however, with **(Inaudible) (45:01)** at times that does not work that efficiently with all of them. Having said that, historically, we have been at about 30% monthly plan campaign. And during our debt years, we used to have it at a much higher rate, even over 50%. Last 3 quarters, we have been almost at about 25% range or so. But recently, we are already for the January month, we are at about 35%-36%, and we are taking that monthly plan contribution up. The reason of picking that up is simply that if we can increase affordability for SMEs, there tends to be higher participation by SMEs in those particular paid campaign.

Vivekanand S: And Abhishek, can you comment a bit on the premium versus nonpremium packages. Where did you see the paid campaigns come back? Or was it the case that in the premium packages, we practically didn't see much churn?

Abhishek Bansal: No. So premium packages typically tend to be higher ticket size packages. So, to some extent, they get affected because the outflow from that SME on a higher side. So, the impact was on both buckets and now recovery also is in both buckets. Going forward, we are encouraging more of nonpremium packages itself. So, the idea is to get as many people in nonpremium packages as possible and whoever have high affordability, switch them to premium packages, which any way offer disproportionate value from it.

Vivekanand S: And when do you see your campaign count going back to the pre-COVID, 540k per quarter kind of levels?

Abhishek Bansal: So overall, if you see that for these 9 months, our revenues are down about 30% year-on-year, which essentially coincides with collection trends for last 3 to 4 quarters or 10, 11 months. Now this 30% drop, broadly half of the drop has come due to campaign drop and half due to realization, both the parameters are approximately down 15% year-on-year. And the realization that you see today is not really the realization at which I am picking up new customers today, it is simply the realization that you are calculating via accrued revenue. So, the realization in my newer collections that I'm doing is already much better. So as and when our collections go back to pre-COVID levels, both campaigns should also sequentially improve and you will see realizations coming back as well.

Vivekanand S: So, you are saying that as your monthly plan contribution moves up even further, your ability to price the campaigns reflective of the economic value, improves. Is that a proper assessment? Because I'm sure, during the peak of the COVID period, you would have done quite a few campaigns at very lucrative rates to draw these SMEs, right?

Abhishek Bansal: So whenever you are selling on a monthly plan basis, it is easier to have a better monthly realization. So, you might be selling it on an upfront basis at, say, Rs. 2000**.** But when you sell monthly, you can easily convince a customer to pay Rs. 2,000 a month. So, to that extent, the higher contribution of a key contract does help with average realizations as well.

V.S.S. Mani: During the COVID time, there was generally a weak response from the vendor community. So, they were lured into spending small ticket items. Usually, we try to sell a robust package, which was slightly discouraged, both from the salesperson also didn't have the confidence and courage to really push it because there's so much of uncertainty. At the same time, the vendors are willing to probably put some money instead of not putting any money, but in normal scenario, they would have spent probably 50%-60% more than what they spent with us or even much more than that. So as things come back to normal, I think the ticket size should also improve, the duration for which they want to take more like perpetual contracts or annual payment contracts, depending on the type of customers, we would see all of this happening. So, as you can see, 30% drop in revenue has come from both somewhere the new sign-ups ticket sizes have gone down, some of those old renewals were not renewed on time because of the condition. Now we're seeing some kind of a revival there.

Vivekanand S: Mani, last question from my side is on the thought process with respect to utilization of cash. We are seeing that 2 of your listed peers, they are raising capital to acquire assets. And you've been saying in the past that you've been very open to acquisitions, but haven't found anything that really fits to your business model. Do you think that the environment is now right for deploying money in acquiring assets that can make Just Dial much, much stronger?

V.S.S. Mani: So, it's not that we have not looked at it. In the last 18 months, there have been several offers that have come to us. But when we deep-dive into those opportunities, they didn't seem like first of all, the culture itself was so different. Some technology companies also, we gave it a pass because they were still not yet there. Some of those companies were having very meager revenues, lot of high spend, high burn rates. We really didn't want to get into it just for the sake of acquisitions. Secondly, acquisitions can happen more with if we have currency in terms of market cap, that gives you far better strength than just in an Internet era, at this time 1,500 crores in your bank is nothing. And that also after buyback. Just we recently did a buyback, probably spent 270 crores-odd in payout to shareholders. So, it's just that the nature of business is such that we are able to generate cash, but you ought to also be very careful when actually you need it to grow your business, that time you may run out of it. So, we are right now going to spend a lot more than ever before, like I said, both on products and advertising, which is indeed atypical to Just Dial, historically speaking, in what we have done, and now you will see a new avatar of ours. And so, let's see how it goes. So, once we get stronger currency in terms of market cap and other stuff, we can look at some slightly far more aggressive moves, a part cash, part stock kind of acquisitions. So there too, we are kind of looking at companies that have either superior technology or revenue which could help us or revenue market share and stuff like that, which is very few.

Moderator: Thank you. The next question is from the line of Vinay Jain who's an individual investor. Please go ahead.

Vinay Jain: My question is regarding JD Mart. Last interaction you told that it will likely to be launched in December. But I see still it is not launched yet. So, when it is likely to be launched and what was the reason of the delay? Was it legal challenge posed by IndiaMART or some technical issues?

V.S.S. Mani: It was due to the legal challenge, it was delayed. And rightfully so also, if somebody has a claim on something to do with copyright and all, it's first important for us to address. And whatever issues were there, those were addressed. Plus, there was this legal issue. But over and above that December to Jan, there's not much of a difference. As we speak, the product is live, actually, jdmart.com is live. And tonight, you will see the apps both android and iOS version going live. But let me prewarn you, this is a prebeta version. So, don't judge us by this. But definitely, the team has done a pretty decent job. In terms of content, comprehensiveness and other stuff, we'll get there, although for a common person it may seem like a very comprehensive site. For the person like me, would still want like so much more to be done. So yes, few months here and there it happened because of certain disturbances, but having said that, now we are looking ahead in making this a big success.

Vinay Jain: So, can you confirm, there is no stay as such on JD Mart itself?

V.S.S. Mani: Not at all. How can there be any stay on our business? First of all, we are not commercially anybody claiming anything, we have not yet gone taken the product live or any such thing. By the way, I just announced that we have gone live with JD Mart. I hope you heard that?

Vinay Jain: Yes. I have heard that, but is this live for only beta testing kind of thing or it is commercial live?

Abhishek Bansal: You could access it. So, on your mobile device if you access jdmart.com, you will be able to search products, search vendors, everything you'll be able to do.

V.S.S. Mani: And also, you will be able to download our app by tonight, hopefully on android and in another couple of days on iOS platform.

Vinay Jain: So, from maybe next couple of days, you will start getting commercial revenue from this venture?

V.S.S. Mani: Yes. I mean, we wish to do that. Our entire rollout plan is first launch the product, then reach out to businesses, which could participate with the best of the content, validate the content and some content is already validated, hundreds of thousands have been validated. But still some more to be done. And obviously, vendors won't advertise till you launch the product. So, sequentially, it will happen.

Vinay Jain: So, when we can see, last time you said that you have budgeted 80 crore to 100 crore for advertisement for JD Mart. So, when we can see our advertisement live on?

V.S.S. Mani: You'll see it soon, probably within a month. Within a few weeks you will start seeing it.

Moderator: Thank you. We'll take that as the last question. I would now like to hand the conference back to the management team for closing comments.

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

V.S.S. Mani: Thank you.

Moderator: Thank you very much. On behalf of Nomura, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.