Just Dial Limited
Q1 FY23 Earnings Conference Call

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MANAGEMENT: MR. ABHISHEK BANSAL – CFO – JUST DIAL LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Justdial Limited Q1 FY2023 Earnings Call. At this moment, all participants are in listen- only mode. We will conduct a question and answer session later. At that time you may click on the raise hand icon to ask a live question. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Bansal – CFO – Just Dial Limited. Thank you, and over to you, Sir!

Abhishek Bansal: Hi! Everyone, welcome to Justdial's earnings call for first quarter of fiscal 2023. Our operating revenue for the quarter stood at 185.6 Crores witnessing 11.4% sequential growth and 12.2% on a Y-o-Y basis. Our adjusted EBITDA excluding ESOP expenses stood at 11 Crores versus a loss of Rs.80 lakhs in previous quarter and a loss of 10.4 Crores in June quarter last year. Our employee expenses have increased by approximately 33% on Y-o-Y basis led by 45% Y-o-Y increase in head count across sales, technology, content, marketing functions, and increments in recent quarters. Our advertising expenses stood at about 6.5 Crores for the quarter. Other income stood at negative 60 Crores during the quarter due to MTM loss on our 3,700 Crores treasury portfolio due to rise in bond yields during the quarter. Yields on two to three year AAA bonds which mostly reflect the underlying of our treasury went up by 135 to 150 basis points on quarter-on-quarter basis during the quarter. On year-on-year basis the same stood at about 205 to 220 basis points increase. With yield stabilizing treasury income should return to normalcy and in any case treasury yield should be looked at on a two to three year basis rather than quarterly basis. Since we typically hold our investments for three year plus period to ensure they are tax efficient. Led by this MTM loss we had a loss of 48.3 Crores at net profit level.

Coming to business update, we continue to focus on selling on monthly payment plans. We signed up approximately 70% customers on monthly plans in last quarter. Our sales head count has gone up by about 53% on a year-on-year basis. We have seen our monetization continuously improve on month-on-month basis since last November, December and the same has started showing up in top line sequential growth as well. Our paid campaigns grew by approximately 22,000 counts to a total of about 4,84,000 active paid campaigns. Collections stood at about 201 Crores during the quarter witnessing 12.2% sequential growth. Deferred revenue stood at about 353.4 Crores which was up 4.5% sequentially and 15% year-on-year. Sequential growth in deferred revenue, despite focus on monthly payment plans where upfront collections are typically lower, is encouraging. The realizable value of sign ups that we did in first quarter stood at about 235 to 240 Crores. So, realizable value is essentially total money that we expect to receive in one year from both upfront and monthly plans that we sold during the last quarter. So this, as I have mentioned earlier, acts as a lead indicator for us to see where our collections and future P&L revenues are headed. Our monthly ECS collection which is money received from direct bank debits for monthly plans stood at about 33 Crores for June month versus a low of just 13 Crores in October 2021. The ramp up in sales hiring is yielding good results and we should see better monetization going forward. Overall as far as reported P&L is concerned, our sequential top line growth reflects improvement in monetization over the last couple of quarters. Margins are currently suppressed because most employee costs hit our P&L immediately. As we see our top line ramp up in coming quarters, we should see margins improving as well. Cash on investment stood at 3,740 Crores as on 30th June.

Coming to operating highlights. Traffic stood at about 148 million unique users for the quarter, growing 19% on a year-on-year basis and 84% of this traffic comes on mobile platforms. Total listings in our database stands at about 32.8 million. In a nutshell the core business is clearly on a recovery path and endeavor is to get it back to pre-COVID levels of top line and profitability as soon as possible and grow thereafter. Our new initiatives are getting rolled out to users in a phase-wise manner. Focus there is to get user experience right for these products and the broadening coverage in terms of products, services and geographies.

So with this update we shall now open the floor for questions for further discussion. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from Vivekanand from Ambit. Please go ahead.

Vivekanand S: Hi! Thank you very much for the opportunity. I have a few questions. Starting with the bookkeeping ones. Could you give us a split of the campaigns and revenues by the top 11 cities and others, that is one and the other bookkeeping question is the ESOP cost in the current quarter appear to be much lower than the run rate that we were seeing in the last seven, eight quarters. So any thoughts on how we should look at this number going ahead, as well as advertising. Those are my bookkeeping ones, I want to ask a few others after this.

Abhishek Bansal: Firstly on campaigns and revenue distribution. So top 11 cities last quarter contributed about 43% to campaigns and about 64% to revenues. This distribution for last two, three quarters has largely been in this range. On ESOP expenses, yes, current quarter ESOP expenses are lower primarily because the expenses that are getting recognized right now are from tranches that we had allocated almost two years ago. There have not been any fresh ESOP allocations in last one to two years and the way accounting works is that ESOP expenses tend to be front-ended. So for example if there is an ESOP scheme which lists at 25% each year, the expense booking in first year is first 25% plus half of second 25% plus one third of third 25% and so on. So by the time you come to third or fourth year of ESOP expense recognition in P&L they sort of taper down substantially. So going forward basis whatever fresh ESOP allocations are done, these particular expenses will accordingly go up. On advertising spends, last quarter we spent about 6.5 Crores. For the full year we have budgeted around 60 Crores or so. As we get into future quarters, we could have certain brand advertising and digital will anyway continue. So, there could be quarters where it could be lumpy in nature. Last quarter primarily was almost fully digital in nature.

Vivekanand S: This was very useful. Just a couple of additional questions. The other question I had is with respect to your traffic and the content enrichment. So it seems that you have added a lot of new listings in the current quarter, much more than what we have seen in the past. So if you can just give us some color on whether these new listings are helping you get any visibility on monetization. Is this part of your content enrichment strategy or was it related to any sort of pent up or catch up as far as COVID is concerned, that is one. Second is on the A&P, you said that most of the A&P was on digital, so I am guessing that some of the traffic that you got in the previous quarter would include inorganic traffic also. Can you help us understand your traffic better and the trajectory? Thank you.

Abhishek Bansal: Firstly on content enrichment, you are right we added about 9,00,000 listings to our database. As I have mentioned in the past as well, see India overall has about 70 to 80 million SMEs out there, and we despite being the largest local search engine, we cover only 40% of the population at this point of time. In last three, four quarters the addition of fresh listings was relatively lower as there was more focus on enriching content in existing listings. Before that if you would see, we were adding about 1 million listings every quarter for a good eight to ten quarters. So this particular quarter again we have focused on broadening our coverage and once we add listings obviously those particular listings start getting prospected by our sales team and over time that aids monetization as well. It is difficult to say whether listings that got added this quarter are directly aiding monetization. To your other question on advertising spends. So, yes, there was some paid traffic that came during this quarter. Out of about 145 million users approximately I think around 15% or so would be from paid means and rest is coming organically.

Vivekanand S: Great, thank you, I will come back in the queue.

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

Pranav Kshatriya: Thanks for the opportunity. My first question is, we have seen a very strong employee addition in this quarter. But, if I look at the revenue productivity or the collection productivity, it seems to be significantly lower than what we had pre-COVID level. So should we expect that pre-COVID level productivity to be achieved in next two to three quarters or it could take longer or we should assume lower productivity of this workforce?

Abhishek Bansal: First of all we need to understand on which metric we are measuring productivity. You mentioned two metrics revenue and collection. So, firstly coming to revenues of 185 Crores. So 185 Crores revenue is getting recognized in P&L from customers whom I had sold in last three to four quarters when my sales strength was not that higher. So as a result this particular revenue divided by number of employees will not be the right indicator because this particular revenue is not really the revenue achieved by current sales force. Second as far as collections are concerned, collections of 200 Crores while they are better than revenues, they are relatively lower currently because a lot of customers are getting signed up on monthly payment plans and their upfront collections is lower. The realistic metric which we look at is, as I mentioned, the realizable value which is the expected revenue that I expect to get from sign ups that I did in this particular quarter, which stood at about 235 to 240 Crores. So that particular 235 Crores is what I will likely get over next one year from sales done by my existing sales force in last one quarter. So that will be a more relevant metric. Considering we had about 10,000 odd employees at our peak pre-COVID and now we have about 10,600 something in sales, so productivity slightly is still lower, but considering additions have happened in last three to four months, in next two to three months these particular employees will likely start getting us even better productivity. For example against 235 Crores of realizable value for the quarter my exit run rate was about 250 plus. So that way we are on a month-on-month improving trajectory.

Pranav Kshatriya: And if I look at the contribution of the monthly payment plan to the revenue, how much will that be.

Abhishek Bansal: 70% of customers that I signed up in this particular quarter came on monthly payment plans. If I were to look as distribution of my overall active campaigns of 4,85,000, there approximately 40% are on monthly plans and 60% on upfront plans. As we keep going into future quarters that 40% will keep moving up, that 40% was 32%, at March quarter end.

Pranav Kshatriya: Do you see any challenges in reaching to the pre-COVID margin, I mean, we were consistently 25% plus, minus 2% kind of a range. So is that margin possible in next few quarters or there are certain headwinds to it.

Abhishek Bansal: So definitely once we reach that kind of pre-COVID top line I think we should be reaching those kinds of margin levels. Currently margins are lower because there is a sort of mismatch between revenue recognition and salary expenses. So I think once we reach that

230, 240 Crores range whatever incremental revenues will come in from current levels versus that pre-COVID levels a good chunk of that should directly flow to EBITDA.

Pranav Kshatriya: And should we assume the salary levels to be higher than what pre-COVID level was or we can actually go to that level.

Abhishek Bansal: Yes, salary levels would be definitely higher. Couple of reasons, one basis regular increments over the last two years' salary levels have gone up. Second every state keeps coming up with the revised wage levels for either minimum wages or other statutory compliances. So basis that there is obviously an increase in wage levels versus pre-COVID.

Pranav Kshatriya: Last question from my side, any comment on regarding the synergies with the parent and how you are working together to build any business or anything which you can tell us.

Abhishek Bansal: As far as synergies with RRVL are concerned, we currently are sort of looking at our business in two buckets one is the core search business where the endeavor is to get it back to pre-COVID levels of top line and profitability ASAP and there is a clear visibility on the same already and then the second bucket is to add a transactional layer on the local search platform that we have. So on the second side where there is good expertise of RRVL as well we are working closely with them. So one of the products which is hyper local marketplace we have already rolled out a pilot for users in three cities Mumbai, Bangalore, Hyderabad for certain categories such as electronics, mobiles, etc. So we are working very closely with them on those particular projects.

Pranav Kshatriya: And do you think that ONDC can be of an enabler or a challenge for you in anyway.

Abhishek Bansal: Once that particular ONDC gets implemented we will have to see. Since we are just rolling out these transactional services, we will have to see how it pans out.

Pranav Kshatriya: That is it from my side. Thank you so much.

Moderator: Thank you. Next question is from the line of Ankur Jain, individual investor. Please go ahead.

Ankur Jain: Hi! Good evening everyone, thanks for the opportunity. I have two questions. One, even before Reliance Ventures, Reliance Retail came into picture into Justdial, you know I have been an investor into Justdial based on what I was hearing about JD Mart and the B2B transactions thing. I think you just explained that you also look at your business into two buckets, you look at the search, the traditional business, and then the value that you try to derive from those clients that you get through search in your B2B business or something, but it has been at least seven quarters if not more and you have had pilots in three cities you mentioned. It is highly disappointing to know that your investor deck contains no information at all on any of such disclosures on the two segments. You are actually looking at two segments even as per the accounting standards so you have to be reporting about those two segments. I mean, you may choose to say that no we do not, but internally you are very well aware that you have to but you do not, so I would like to pick your thoughts on that. As an individual investor I find it disheartening. I put in my valuable money into it, a lot of money, based on a story but I do not get to hear an update on that story, that story is in some closed doors. Obviously not everything can be open, but there is some responsibility that the business has towards the minority shareholder, so that is one. Number two if I heard correctly you said your mark-to-market losses is about 48 Cr, if I heard correctly and also your loss for the quarter is about 48 Cr. So, if both the numbers are same are we saying that we actually did not make any money in this quarter; this was just a breakeven quarter. So these are the two questions I have. Thank you.

Abhishek Bansal: Quick clarification on the second point first. So mark-to-market loss during the quarter was about 60 Crores and 48 Crores was loss at PAT level. So excluding other income the overall profit was about 12-12.5 Crores.

Ankur Jain: I thought that, sorry to interrupt you, but even the mark-to-market would be adjusted for tax now. So that is what I thought.

Abhishek Bansal: The mark-to-market would be adjusted for tax, but that tax essentially would be reversal of past gains that we would have recognized.

Ankur Jain: Right absolutely, so it will be closer to 48. If I look at it maybe 20%, 25% tax rate, but anyway I will leave that gap.

Abhishek Bansal: Coming to your first question regarding looking at the business in two buckets and relevant disclosures for the same. So firstly see JD Mart the monetization model is subscription based listings itself. At this point of time out of the total unique users that we had for last quarter about 8% to 9% of those users came for JD Mart related new pages. Why I am referring to new pages is because as part of JD Mart what we have done is, we have essentially brought products on our platform though listings we already had. Earlier about 20%-22% of our revenues used to come from B2B related categories. At this point of time for last quarter that number stood at about 25.5%-26%. On JD Mart the dedicated team which works on monetization for the same is now about 700-750 people which previous quarter was about 400 people. So JD Mart’s monetization works as a listing fee itself and JD Mart products are available on both JD and JD Mart platform, so that obviously gets recognized as overall revenue. The key is that this particular platform's monetization should aid us with revenue growth which is happening at this point of time as can be seen with the sequential growth.

Ankur Jain: I am more worried about the disclosure about it. If you see your stock has taken a beating of more than 50% from its peak. Well in this scenario every stock has taken a beating, but some have taken more than the others and you obviously belong to the more category. So there needs to be some introspection and some responsibility shown towards the investors who are not sitting in the boardroom discussing some secretive things. There is so much cash in the balance sheet and for eight quarters we are hearing the same story. So obviously there needs to be something shared with us.

Abhishek Bansal: So you are right, but please understand that as a management we obviously cannot simply control what happens to our stock prices. Yes, operating performance is fully in our hand which is what we are working on and I think if we continue to deliver numbers both on top line profitability as well as new initiatives this particular current gap should ideally get bridged in coming quarters. As far as disclosures etc., are concerned, so feedback taken whatever is relevant which we should disclose we will continue to do so.

Ankur Jain: Yes, correct you cannot control the price, but maybe the introspection means that because of your silence, your complete secrecy, if I may use that word the stock has taken a beating and people are not believing in that story any longer. So that is what I meant and obviously I am not asking you to control the price which you cannot obviously. Fair enough. That is all I have.

Moderator: Thank you. The next question is from the line of Naman Jain, individual investor. Please go ahead.

Naman Jain: Abhishek I just wanted to ask a small question. I saw the pilot launch of JD Shopping. I saw that there are three categories broadly where you guys have launched products, mobiles, electronics and home and kitchen products. So what are the initial feedbacks and what is the plan to scale it up, how long are we going to take?

Abhishek Bansal: On JD Shopping as you rightly said the three particular categories have been launched. At this point of time vendors are being on-boarded in each of these categories. The key USP that we are working right now is four hour delivery and basis whatever pilot orders we have been receiving in almost 98%-99% of the cases we are able to achieve the same. Over next two to three quarters endeavor is to broaden product selection across other categories and also onboard the vendors in other cities. So we are already in the process of adding three more cities and sometime by the end of this particular fiscal year the product selection catalog and number of cities should be meaningful. The target is to cover almost all metros by then.

Naman Jain: On the last call we discussed about; are we going to give discounts from the cash that we have and it was clearly mentioned that we are not in the business of attracting a customer by giving discounts. So now in these three categories I can see there are some discounts offered. So just a clarification, are these from the merchant sends or is this our company giving discount on the products.

Abhishek Bansal: So whatever discounts that you see in the platform are solely from the merchant's end while we have an advertising budget. So these days the way you look at advertising is a customer acquisition cost. So in case we think that for certain categories where we have decent margins and we can afford to pass on a part of that margins back to consumers we would look to do so. The discounts that you see currently at this point of time they are fully borne by merchants.

Naman Jain: So in that case then again two things - one is that you have allotted a large advertising budget in this year so how are we planning? are we going to do TV commercials for JD Shopping specifically because I understand the core business anyways is doing very well and we are getting back on track and since this is a new launch are we planning to do majority of our advertising spending on this.

Abhishek Bansal: So advertising budget that I mentioned majority of that is planned for core business itself. For JD Shopping the thought process is unless there is a substantial pan India coverage and cross category coverage we would mainly focus on digital advertising because via digital you can target specific categories, specific geographies. Once we have desired user experience in place etc., then obviously ATL campaigns will follow.

Naman Jain: And what is the targeted or a vision as to how many transactions per month do you want to reach in JD Shopping. As in some vision that may help us understand the prospect of the opportunity.

Abhishek Bansal: See this particular segment per se has a huge opportunity in terms of there is no pure play 3P marketplace currently. All SMEs dealing in products want online presence to get new customers etc. So I would not put specific numbers in terms of what the ambitions are. I think on a month on month basis we want to see that we keep improving both the user experience side, fulfillment side and then over the next few quarters we will see how numbers, etc., pan out.

Naman Jain: And just one more thing on this. What is going to be the plan to monetize this? Basically is this going to be commission based on each product that we are going to make money or is it going to be a subscription based model because from other competitors I understand it is more of a commission based business.

Abhishek Bansal: At this point of time we are signing up merchants on a commission based model itself, once we have substantial traffic then other streams of revenue such as advertising etc., to can form part of revenues in this vertical as well.

Naman Jain: So it is not going to be like our core business where we have a monthly plan or something like that, it is not going to be the same for JD Shopping is it.

Abhishek Bansal: No. This will be pure like commission on every transaction.

Naman Jain: And just one small question on the cash balance that we have. So what are we planning to do with that because obviously it is a large balance that we have. Any plans to distribute it or use it for buybacks or something.

Abhishek Bansal: So, no such plans at this point of time. We have exciting products in pipeline; we would want to spend on building those products, content enrichment, and advertising for those particular products in future. The good part is we have a core business in place which is a healthy free cash flow generating business. So we will see after maybe 12 to 18 months how the situation is. At this point of time we think our core business itself should be able to fund a good chunk of these particular new initiatives.

Naman Jain: Yes, which is why I am asking you the question? So, if your core business is able to support all these initiatives, why deploy cash at such lower returns. Why not pass it on to investors or do something better of it.

Abhishek Bansal: So some of the new projects that we have undertaken tend to be long gestation projects. There could be a situation where we think that an aggressive advertising plan could help us scale exponentially, so we want to be in a situation that we can comfortably take those decisions with cash on our balance sheet.

Naman Jain: And just one small feedback. I think it is also got to do with the previous participant who had asked the question. I think what is needed from the company is, like you did your pilot launch in three cities, if there could be some small press release or something to keep the investors updated because even I had asked in the last call when is the launch going to happen and you have mentioned end of the first quarter on or maybe the beginning of the second quarter. It did happen then but I had to go to the app and check whether it has been done. A small press release of the updates that are happening in the company would really help keep information flow regularly to the investors.

Abhishek Bansal: Sure definitely we will do so. In this particular case simply the thought process was that we launched this particular product with a few vendors on-boarded. So we are on a day-to-day basis on-boarding more vendors and expanding the catalog. So the thought process was once we reach a certain critical mass such that people are able to search for products in their relevant cities it would be more prudent at that particular point of time to put out a public disclosure.

Naman Jain: And just one small clarification. So I tried ordering some product from JD Shopping but a hyper local really I thought was that it should get delivered in about three to four hours but to me on the app it showed it will be delivered by 3 pm and on the next day. So it is not really hyper local in that sense right.

Abhishek Bansal: So currently in these particular three cities there are certain pin codes where we are able to achieve that particular four-hour time frame and there are other pin codes where we are still on boarding vendors. Once we have vendors in each category, in each pin code ultimately we will have that three to four hour delivery in each pin code. The incident that you mentioned is the exact reason that we have not been putting out a public disclosure thing that this is live. So while the platform is live to gather feedback from users who are using it, at the same time there is a content expansion that is underway.

Naman Jain: Okay point taken. Wish you all the very best for the future quarters. Hope we see the operating revenue improving with the bottom line.

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

Vivekanand S: Thank you again for the follow-up. Abhishek can you give us some color on the cash operating cost that you foresee, the inflation that you foresee in fiscal 2023 and 2024 for the cash operating cost and secondly could you comment on the operating margins of the company if you had not been investing in these multiple new initiatives. A broad sense is good enough. Thank you.

Abhishek Bansal: Firstly on cash operating cost escalation in FY2023-2024 is difficult to say. Having said that I think on the employee expenses clearly with overall inflation being quite high 7% to 8% on an overall basis definitely needs to be rolled out and similar could be for other expenses. On your second query regarding these new initiatives. So new initiatives about 12 to 13 Crores of spends are actually capitalized as assets under development. So since these particular products are still in the building stage these costs do not hit our P&L at this point of time.

Vivekanand S: That is useful. Could you also comment on what portion of the new initiatives investments are hitting the P&L or is it entirely going into the assets under development?

Abhishek Bansal: So entirely it sits under development for new transaction related initiatives.

Vivekanand S: But the JD Mart costs are in the P&L right.

Abhishek Bansal: Yes, they are completely in the P&L simply because they are the revenue model is listing fee and the product had been obviously launched a long time back.

Vivekanand S: Just to recount the new initiatives apart from JD Mart which is already hitting the P&L because you have launched this product, JD Shopping, JD experts, and I believe there was some product on the real estate side am I missing something.

Abhishek Bansal: Yes, primarily these particular products JD Shopping, JD Experts. So basically products related transactions form part of shopping, services related transactions form part of experts.

Vivekanand S: Thank you and all the best.

Moderator: Next question is from the line of Anmol Garg from DAM Capital. Please go ahead.

Anmol Garg: Hi! Abhishek. Just had few questions. Firstly if you can split the advertisement cost during the quarter between the paid campaigns and the brand related advertisements that would be great.

Abhishek Bansal: So out of the 6.5 Crores that we spent almost about 5.5 to 6 Crores went as part of digital initiatives.

Anmol Garg: Sure and secondly if you can also, give your views that if you are planning to do any acquisition related to in the JD Mart space particularly to acquire more customers or to have more value-added services.

Abhishek Bansal: No there are not any such thoughts on acquisition as of now.

Anmol Garg: Sure and thirdly just wanted to ask that largely what will be the average realization of JD Mart right now and how many will be the paid suppliers in the category and in continuation to the same has there been any increase in the customer acquisition cost from right now as compared to a year back. That is it from my end.

Abhishek Bansal: So average realization for JD Mart or B2B related campaigns would broadly be in the range of about Rs.20,000 per campaign on an annual basis. Regarding your question around customer acquisition cost, customer acquisition cost currently would be bit higher versus what it was last year due to higher salary levels, but as and when the current batch of sales team achieves desired productivity once they get tenured, I think our particular cost of sales will be at par with what it was one or two years ago.

Anmol Garg: Sure and again if you can also give the paid supplier numbers in JD Mart.

Abhishek Bansal: So paid suppliers there broadly would be closer to about I think 1,00,000 or so.

Anmol Garg: Sure thanks that's it from my side.

Moderator: Thank you. The next question is from the line of Abhishek Banerjee from ICICI Securities. Please go ahead.

Abhishek Banerjee: Hi! Abhishek, thanks for the presentation. I am relatively new to the company. So might have a few basic questions. First of all I will start with the ad spends. So what did you say you had budgeted for the full year I missed that number.

Abhishek Bansal: About 60 Crores.

Abhishek Banerjee: Okay 60 Crores is full year and this would include your digital initiative which is getting some offers on your JD Shopping platform.

Abhishek Bansal: No so these particular 60 Crores does not include any customer acquisition cost or advertising spends for new initiatives. So these 60 Crores we have at this point of time year marked for core business itself.

Abhishek Banerjee: Now moving to what you spoke about monthly subscription plans. Would you please explain what the rationale is for it, I mean, did you see any liquidity concerns with your supplier base.

Abhishek Bansal: So what typically happens is - Justdial sells its listings in two payment plans either you could pay upfront or in monthly payment plan. So for example you could either pay a Rs.4,000 down payment and sign a mandate which allows us to charge you Rs.2,000 per month on your bank account or you could directly pay us an annual subscription of

Rs.22,000 now post COVID or during COVID what has happened is some of the customers might be averse to actually shelling out the entire Rs.22000 upfront. So we thought that okay for us it is important to sign up customers once they sign up, once they test the services, definitely they would be willing to stick around for a longer period of time plus the ecosystem is also evolving in a manner that everything is being sold on EMI plans, monthly installment plans. So that is what has made us gravitate towards monthly plans and which so far is working out pretty well.

Abhishek Banerjee: So absolutely understand that. So you basically saying that for a person who is going with the monthly plan they are actually paying Rs.28000.

Abhishek Bansal: Over time over a period of nine to ten months they would end up paying that particular amount.

Abhishek Banerjee: Got it and what is the retention level I mean so far as a customer who is going with the monthly plan. So what is the average realization you are getting from that in a year?

Abhishek Bansal: So average realization that we get from our monthly customer is very similar to what we would get from upfront customer. So last quarter whatever we sold on monthly plans approximately 19,500 - 20000 annually is likely to be the annual realization. So what happens is in a monthly plan my ticket size tends to be slightly higher. So upfront plan might be say Rs.21,000 or Rs.22,000 for the year but in a monthly payment plan I am able to get them to sign up at Rs.2000 a month which effectively is Rs.24,000 for the year. So even if the customer does not honor full payment or honors for say nine to ten months I still end up getting Rs.20,000 to Rs.21,000.

Abhishek Banerjee: Got it but I mean with the timeline what does that come, is it coming a little lower.

Abhishek Bansal: Not really so in fact in this particular case whatever are our particular monthly plans they tend to be perpetual in nature. So they get auto renewed at the end of each year. So even today we have certain customers who signed up on monthly payment plans five years, seven years ago and in fact there is zero cost of sales in those particular plans. So that time value of money relatively is not a significant factor in this.

Abhishek Banerjee: Coming from slightly different angle. So what was the annual plan cost say a couple of years back has that increased over years.

Abhishek Bansal: Annual sorry.

Abhishek Banerjee: So the annual subscription cost that we were talking about what has been the inflation in that over the last three four years.

Abhishek Bansal: So during COVID times we had actually rolled out certain discounts to customers so the first thing that we did in the month of October, November was withdraw all those particular discounts. Our pricing varies by geography, pricing varies by category, pre-COVID if you see our realizations used to be at the peak was about Rs.18000 per campaign annually. Right now while the P&L realization would be lower because P&L revenues as I mentioned are lower, but the realization that I am getting from customers that I am signing up right now is ballpark in the range of about Rs.19,500-Rs.20,000. So there has been a about 8% to 10% increase versus my pre-COVID peak levels.

Abhishek Banerjee: That is really good to hear. The reason why I was asking this is that while on a yearly basis when you are asked to make a payment it is actually easier to pass on inflation, whereas if you are doing it on a monthly basis. As you are saying if there is an auto debit and if you need to increase that 2,000 to say 2,500 that would require a customer approval which might be a little bit of a question mark which is what I was trying to understand.

Abhishek Bansal: So there also it is not necessary that you need a customer approval in the sense that yes, you need a customer approval but if the limit on the previous mandate is higher. So for example versus a Rs.2000 per month plan if the limit set is Rs.3000 per month you can actually bill post customers consent for a higher value and right now also there are 30% customers that come on upfront payment plans. Monthly payment plans are lucrative to get a new customer into the ecosystem and thereafter once customers are satisfied with the services want to take up high value plans a good chunk of them want to opt for upfront plans their renewals obviously happen with an inflation built in.

Abhishek Banerjee: Got it very clear. So is there any way of passing this thing to NBFC and taking a loan in that sense can you facilitate that or have you done that in anyway.

Abhishek Bansal: So we provide various payment modes for example payment mode is EMI on your credit card, EMI on your debit card. In fact those plans work in a manner that customer has to pay on a monthly basis to their respective bank or credit card whereas we get the money upfront. There in fact we incentivize by bearing that particular interest component. So we tell the customer that you will anyway pay Rs.2,000 per month on your credit card and you do not have to pay any extra interest as Justdial the benefit we get is we get the entire whatever Rs.22,000, Rs.24000 less whatever is the interest upfront. So all those particular payment plans are being made available to our customers.

Abhishek Banerjee: And that is accounted for in the 70% or it is in the 30%.

Abhishek Bansal: I will count it in 30% because I got the money up front.

Abhishek Banerjee: Okay that was very helpful. Now moving to the new initiatives, will it be possible for you to share any of the take rates for JD Shopping and JD Experts.

Abhishek Bansal: So JD shopping take rates broadly should be, like it will be vary by category, but overall should be in the range of I think 7% to 8% depending on certain categories such as mobile phones could be lower whereas categories such as apparel etc., would be higher and in case in future unbranded products come in there obviously take rates would be higher and on the services side it is typically in the range of around 20% or so.

Abhishek Banerjee: So in terms of services that you are providing what are the touch points that you are interacting with the customer and what are the touch points or what are the services that are helping your suppliers.

Abhishek Bansal: So while the vendors are on-boarded they are given a proper kits etc., at the time of on-boarding. We have also started some bit of training also for these particular vendors they go through complete SOPs that they need to follow while fulfilling orders. As far as user is concerned we keep them completely aware of when is the vendor likely to arrive in case of any delays or any rescheduling etc. there are particular triggers that automatically gets done via the app or there is a team that proactively reaches out and does that. So whatever a user and a vendor need to do or need to be assisted in order to fulfill that particular transaction either that is done in an automated manner by the platform or if the automated stuff is not able to assist them then there is a manual intervention that takes place.

Abhishek Banerjee: So this you were obviously talking about JD Services right.

Abhishek Bansal: Yes.

Abhishek Banerjee: So comparing with other company in what proportion of the services that an urban company gives would you be offering the entire suite or 70%, - 80% of proportion.

Abhishek Bansal: Proportion in terms of number of services or how.

Abhishek Banerjee: No I am talking about say if I want a plumber and if I am say ordering on urban company vis-à-vis if I am ordering on JD Experts will the services of Urban company be more than what you are giving or is it same.

Abhishek Bansal: So in my assessment services would be almost the same because there is a standardized tariff card for each particular service you will be as a user informed free hand which particular provider will come to fulfill that particular transaction, you will have similar options for payment etc. The key lies in what is the value add services that we can provide. So mainly the idea is that earlier users were calling up these particular professionals then negotiating a tariff or a rate at their particular doorstep, now everything is done by a click of a button with free information to both the user and the vendor how much needs to be charged and once the transaction is concluded user can pay via cash on the spot or pay online and all those particular features are in place.

Abhishek Banerjee: So how many services do you have on JD Experts right now?

Abhishek Bansal: Currently eight categories are live.

Abhishek Banerjee: And how many do you foresee in the near-term.

Abhishek Bansal: So eight would probably go to around I think 10 to 12 categories we will keep taking a look basis the idea will be to sort of master the existing set of categories first.

Abhishek Banerjee: And this is my last question on JD Shopping you mentioned 7% to 8% take rate. So for that will you help in order fulfillment in anyway?

Abhishek Bansal: We have tied up with the third party logistic service providers. We are a marketplace where vendors are listed and the logistics is also a third-party and this particular platform connects those users with the sellers, so user places an order seller is informed, seller keeps a product ready, the third-party logistics provider goes and picks up the product and delivers it to the user.

Abhishek Banerjee: And the money is held in escrow account.

Abhishek Bansal: Yes it is held in an escrow account and once the timeline for returns or refunds are over then it is released to the merchant.

Abhishek Banerjee: Thank you so much for your time Abhishek.

Moderator: Thank you so much Sir. The next question is from the line of Swapnil from JM Financial. Please go ahead.

Swapnil Potdukhe: Hi! Thanks for the opportunity. Abhishek I just wanted to understand your strategy change. So last year same period I think we had spent a lot in during the IPL to promote our B2B JD

Mart business. This year in the last two three quarters we have significantly ramped up our sales team and I think this is the numbers that you shared you have seen significant traction in your JD Mart business or the B2B side of it. Will that be fair to say that your sales team has been able to deliver better results compared to the advertising spend that we did last year.

Abhishek Bansal: So in the advertising spend that we did almost at the same time we got hit with the second wave of COVID which further impacted SMEs across B2C, B2B segments. Last two to three quarters we have spent time in terms of fine-tuning our pricing or sort of withdrawing all sort of discounts ramping up our sales force so both B2C and B2B are coming back on track but with the increasing proportion of B2B and dedicated focus via 600 plus B2B monetization team definitely these particular categories are giving better revenues.

Swapnil Potdukhe: And second is a question so we used to have around 5,35,000 campaigns pre-COVID that dropped to around 4,30,000 sometime in the second quarter last year. Now out of this mortality that we are seeing roughly 1,00,000 odd how much have we been able to recover back or how much is pending can you give some sense on that.

Abhishek Bansal: So currently we are at about 4,85,000 campaigns so half of the drop is sort of covered and the endeavor is that we should exit the year at our closer to our peak campaign counts. So last quarter itself we have added about 45,000 campaigns.

Swapnil Potdukhe: Actually my question was from the perspective like of the 1,00,000 that went out of the system right. How many are part of that 45,000 that you added in the last two quarters and what is the potential recovery that we can think about beyond the new addition that you may have seen.

Abhishek Bansal: See we are dealing with the small and medium businesses there what happens is a particular business might be or a particular person might be doing a certain X Y Z business two years ago later they might be doing some other business and they might be advertising with us at both time periods. So we do not directly look at it as or it is not possible to look at it as that 1,00,000 which actually went out or did not renew how many of them have come back. In any case in case of Justdial even if a customer has not renewed be it pre-COVID period or current period whatever it is, it does not mean that the customer has gone away forever. So the way Justdial has an advertising budget for example FY2019 we spent about 65 Crores next year COVID year we spent only 6.5 Crores then again we spent about 65 Crores last year so that will be a sort of similar behavior for SMEs also. Whenever they are comfortable to advertise for their particular business they would come and see whichever platforms they want to advertise and there could be periods where they may not want to do so. So the way we evaluate is what is the total current number of active campaigns that we have.

Swapnil Potdukhe: And given that we did 22,000 additions this quarter do you think we will be able to sustain such additions in the forthcoming quarters also. Typically if I go historically so one good quarter is followed by some subdued numbers in the following quarters but it has been two consecutive strong quarters that we have and how do we think about the forthcoming quarters.

Abhishek Bansal: So as I said that the last particular quarter considering exit run rate was better versus full quarter that sort of gives us assurance that some of these particular trends should keep improving on a month-on-month basis and if we are thinking that we want to exit the year at peak campaign run rate then definitely a healthy quarter-on-quarter campaign addition is what we ideally foresee.

Swapnil Potdukhe: And just a last question. So you mentioned a 60 Crores of budget for core business A&P how can we think about the non core business investments that you are thinking about like how much should we factor in or any sense of guidance on that.

Abhishek Bansal: So that I think we are still working out that once these particular products are in a decent stage to be advertised both on digital and subsequently ATL I think we will have to wait for another probably a quarter or so before we can sort of have some clarity on how much spends we are likely to do on those initiatives.

Swapnil Potdukhe: Okay good. Thanks a lot for taking my questions.

Moderator: Thank you. The next question is from the line of Gnyan Thaker from Ashika Group. Please go ahead.

Gnyan Thaker: Thank you Sir for taking my question. I would like to have some clarification on the plan of parent entity with respect to JD's platform whether the JD platform will be integrated to the Jio Mart or any other application of parent entity.

Abhishek Bansal: Yes there can definitely be synergies or integrations. We are sort of in touch with them for example on our particular platform we have already integrated the access for Jio SIM cards. Similarly Justdial apps could get integrated with MyJio application which already has access to multiple other RIL group applications. So some of those particular integrations are already being discussed.

Gnyan Thaker: Sir you were just explaining us with respect to the logistics third-party delivery partner. So can we understand is it like the RIL's logistic company has been used by Justdial for providing the services.

Abhishek Bansal: No these are completely third-party services such as Dunzo, Grab, Shipyari and whatever other logistics service providers that are out there who do e-commerce fulfillments for various companies.

Gnyan Thaker: Okay sure Sir thank you so much.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Arjun Ashar individual investor. Please go ahead.

Arjun Ashar: If I am audible now I wanted to know how long will we be in the pilot phase for the first three cities for JD Shopping and JD Xperts in terms of content enrichment so that we have gone wide as well as deep in various categories of contents being listed on the website on the app.

Abhishek Bansal: So in terms of JD Shopping that went live for users just about I think one month ago and we are already in the process of adding more cities. So current quarter it would get added. As far as experts is concerned those current set of services are already lies in about 10 to 11 cities.

Arjun Ashar: No I will just illustrate so for instance I visited a store like a Benzer or Amerson's on JD Shopping I see only a few categories like in Benzer you just had a shopping bags whereas it is an entire superstore or if I look up any local hardware store when do I reach a stage where I can find at least 100 to 150 SKUs of that hardware store listed on JD Shopping, when do we reach that phase.

Abhishek Bansal: So I think it will take around six to nine months for us to reach that particular stage where there is a reasonably broad selection of products and available across all major pin codes and top metros.

Arjun Ashar: And what would be our strategy to funnel users to these listings, because right now there is no awareness. If I want to buy a doorknob, many do not know that there is an option like that and then what happens is that our customers also do not have an incentive to load their entire catalog of inventory on JD Shopping. It becomes a chicken and egg kind of situation. So what is our strategy to attract new users to the website?

Abhishek Bansal: Couple of things one these particular products and these particular vendors will have access via our particular home page on existing platforms. So from the shop online section users can explore these particular products. Second there is already a traffic that comes organically searching for these particular listings. So once users come for these particular listings they get to see that okay there are transactions or shopping enabled. Third there will be dedicated apps also for these particular initiatives and once we start advertising that is how more users will get to know that these particular options exist and that is how product will get scaled up.

Arjun Ashar: And the advertising will be like national campaign so there will be again hyper local advertising campaigns like in current storefronts, like how PayTM used to have these stickers on every cashier's desk.

Abhishek Bansal: In the first phase it will be digital in nature because that will help us to target certain geography, certain categories of products. Once we have a decent selection and more geographies covered then it will be a ATL campaign. Thereafter then it can be a mix of hyper local marketing, I mean, there will be annual budget part of which will go towards branding advertising and part of it will go towards digital and other sorts of hyper local advertising.

Arjun Ashar: Sure all the best for future. That is all from my side.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question. I will now hand the conference over to Mr. Abhishek Bansal for closing comments.

Abhishek Bansal: Thank you everyone for joining us. In case you have any further queries please do reach out, we would do our best to address, and that is it from our side. Thank you.

Moderator: Thank you Sir. Ladies and gentlemen, on behalf of Justdial Limited that concludes today's session. Thank you for your participation. You may now click on the exit meeting to disconnect. Thank you.