Just Dial Limited Q4 FY23 Earnings Call

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MANAGEMENT: MR. V.S.S. MANI – CEO & MD
MR. ABHISHEK BANSAL – CFO

Moderator: Ladies and gentlemen, good day, and welcome to the Just Dial Limited Q4 FY '23 Earnings Call. At this moment, all participants are in the listen-only mode. Later, we will conduct a question and answer session. At that time, you may click on the raise hand icon to ask a live question. Please note that this conference is being recorded. We have with us today, Mr. V.S.S. Mani, MD and CEO and Mr. Abhishek Bansal, CFO from Just Dial Limited.

I now hand the conference over to Mr. Abhishek Bansal, CFO from Just Dial Limited. Thank you, and over to you, sir.

Abhishek Bansal: Thank you, moderator. Hi, everyone. Welcome to Just Dial's Earnings Call for Fourth Quarter of Fiscal '23. Our operating revenue for the quarter stood at INR232.5 crores, witnessing 5% sequential growth and 39.5% on a year-on-year basis. Year-on-year growth seems higher due to COVID impacted quarters in last fiscal year, fiscal '22. On a per day basis, Q-o-Q revenue growth stood at 7.4% in last quarter. Our adjusted EBITDA, excluding non-cash ESOP expenses, stood at INR35.6 crores, representing an adjusted EBITDA margin of 15.3%.

Our employee expenses have increased 29.2% on a year-on-year basis, led by about 37% increase in average headcount for the year. Last year, we have done primarily recruitment in our sales, technology, product and content teams. On a sequential basis, employee expenses were relatively controlled at just 3% Q-o-Q increase with headcount remaining almost flattish. Our advertising expenses for the quarter stood at about INR6 crores.

Other income stood at a normalized level of INR74.2 crores for the quarter. Profit after taxes stood at INR83.8 crores, representing a growth of 278% on Y-o-Y basis due to low base effect and 11.3% on a sequential basis. For full year, revenue grew 30.6% year-on-year to INR845 crores. EBITDA margin, excluding ESOP expenses, stood at 11.3% for the year. Overall, as you see, fiscal '21 and fiscal '22 were impacted for us due to COVID, but the business has been able to bounce back very strongly this year.

In fiscal '23, our projections stood at almost INR945 crores, representing about 44% year-on-year growth. We sold about 68% of our contracts on monthly plans this year, as a result of which, monthly ECS collections have witnessed very strong growth. Our March month ECS collections from customers stood at about INR45 crores, which was just about INR26 crores a year ago. This essentially demonstrates that we are exiting the year on a relatively strong note.

As far as margins are concerned, they are also on an improving trajectory. And as we have mentioned earlier, most employee costs hit our P&L immediately, but corresponding uptick in revenue recognition happens with the lag as services are rendered. So while reported EBITDA stood at INR96 crores for the year excluding ESOP expenses, there was a INR100 crores difference between accrued revenue and collections for the year. As and when revenue catches up with collections, margins will see expansion, which is also visible on Q-o-Q basis.

Deferred revenue was also very healthy at all-time high of about INR438.2 crores, growing 29.6% on a year-on-year basis and 8.9% sequentially. This was led by strong 4Q collections, which were about INR268 crores, up about 9.5% sequentially. Active paid campaigns at the end of the quarter stood at 538,000 approximately, which was 16.6% year-on-year and 3.1% sequentially. Overall, cash and investments stood at INR4,067 crores as on 31, March.

Coming to operating highlights. Traffic stood at 159.3 million unique users for the quarter, growing 10% year-on-year. 86% traffic comes on mobile, and mobile traffic is growing at about 13% year-on-year. Total listings now stand at about 36.5 million. Both desktop and mobile platforms are seeing revamp and several user-friendly features are getting added as we speak.

Overall, if I were to summarize, FY '23 was a very healthy recovery year for us. Our assessment is that we are exiting the year on a strong footing on most parameters, for example, traffic is close to pre-COVID peak levels, have been higher also, but current traffic came in at almost 65% lesser spend versus pre-COVID advertising run rates. Paid campaigns have surpassed pre-COVID levels as well. Most of the top line driving parameters such as collections, the deferred revenue are all quite healthy.

Pre-COVID, we used to get just about INR20 crores, INR21 crores on a monthly basis from our monthly plan customers. But that, as I just mentioned, stood at INR45 crores for the exit month. Margins on reported basis are in mid-teens. But with respect to collections, they were still 25%-plus in fourth quarter. Our endeavor this year would be to build on a strong base, which is laid down in fiscal '23.

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

Moderator: We have our first question from Vivekanand Subbaraman from Ambit. Please go ahead.

Vivekanand Subbaraman: Hello. Thank you so much for the opportunity. So I'll start with the bookkeeping questions. So could you help us, Abhishek, with the split of the paid campaigns by top 11 cities versus the non-top 11 cities and the revenue split, that's one.

Secondly, Abhishek, I think in an interview today on television, I think you mentioned a little bit about JD Mart and its progress. Could you help us understand the journey of JD Mart? I mean, it's been almost three years since launch, what does it contribute to revenue? What is the percentage of manpower there? What is the realization? And obviously, also in terms of, let's say, if you are able to quantify the operating margins there or any other qualitative aspect, that would be very helpful? Thank you.

Abhishek Bansal: So, Vivek, on your first question regarding Tier 1 versus rest of the cities, so Tier 1 cities contributed about 61% to revenues and about 41% to paid campaigns. So essentially, our ticket size in Tier 1 is more than twice of what we have in Tier 2, Tier 3 cities. On JD Mart, the platform is shaping up well. The way we look at it is B2B segment now contributes over 26% of our overall revenues versus three years back, this contribution was just about 20%-odd or so. In terms of traffic as well, these particular categories now get almost 10% of our overall traffic. And in order to monetize this segment better, there is a 700-750 member dedicated team that is working on monetizing these B2B categories.

Even going forward from next two years to three years, I think this particular segment should be the key driver for growth for us because in B2B segment, most of the SMEs do require a platform such as ours to get -- to reach out to customers pan-India.

Vivekanand Subbaraman: Okay. This is very helpful, Abhishek. Just a couple of follow-ups on JD Mart. So, when you say 26% of revenue, this is exit or is it fiscal '23? That's one. Secondly, could you give us any color on the realizations on the JD Mart side? And also, when I look at similar web, right, it shows that the traffic doesn't seem to be very big in JDMart.com. Perhaps you are getting still a lot of traffic in these categories on Justdial.com. So could you help us understand this better? And also, when you say that this is going to be a key driver, how is it that you will drive revenue growth here? Is it going to be getting more SMEs to pay for JD Mart, or is it going to be getting more revenue from the existing ones who are already paying you? If you could help us with some of these things, that will be helpful?

Abhishek Bansal: So the 26% revenue contribution is for the full year. The exit run rate would be probably 0.5% or 1% higher. As far as realizations are concerned, realizations on the B2B side broadly should be I think, 10%, 15% higher versus the rest of the paid subscription business that we have.

Coming to your point on traffic, see, the way we look at this particular traffic is that pages which are specific to JD Mart, all the B2B pages, which could be a product page for a particular B2B digital catalog or specific results page, those particular pages are available both within Justdial ecosystem as well as the new JD Mart ecosystem. For a merchant signing up a B2B listing, it does not matter to them whether a particular inquiry was generated from Justdial or JD Mart. Justdial has a very strong SEO recall, SEO rankings. So it makes sense for us to leverage those particular rankings for even B2B-related pages. So overall, we look at it on a combined basis that out of the 159 million users that I'm getting, on a combined basis, about 10% of the traffic came for these B2B related pages.

Vivekanand Subbaraman: Make sense. Thank you so much. I'll get back in the queue.

Abhishek Bansal: Thank you.

Moderator: Thank you. We have a next question from Nikhil Choudhary from Nuvama. Please go ahead.

Nikhil Choudhary: Yes, Abhishek. So I have a couple of questions. One is regarding the contribution of B2B, which is already at 26%. So what is your expectation going forward, or what kind of contribution it can become in the next couple of years?

Abhishek Bansal: So Nikhil, good part this year was that there was relatively broad-based recovery and even the B2C side of categories had a very strong rebound in our 50% year-on-year collections growth. B2B segment is having a relatively higher growth. This 26% over the next two to three years, our assessment is it could go towards, say, 33% to 35% or so. But we'll obviously keep assessing this each quarter, each year as it passes by.

Nikhil Choudhary: Sure, Abhishek. Second is in the interview in the morning, you mentioned about your collection margin hitting 25%. So I just want to understand what would be the time line basically in terms of its conversion and its impact we can fully see in our financial?

Abhishek Bansal: So I think pre-COVID, we used to be at a sustainable sort of 25%-plus kind of margin, and we exited last year at about 15%-odd margin. So I think next year, same time, we are targeting that we want to be at that pre-COVID margin levels. As I mentioned during my interviews as well, the accrued revenue for the year stands at INR845 crores and my total operating expenses of INR758 crores. In reality, they actually fetched me INR945 crores for the year. So while P&L revenue recognition will catch up with collections, I think in another three to four quarters, that catch-up should happen.

Nikhil Choudhary: Okay. Understood. Just one more on bookkeeping side, Abhishek. Tax rate since last three quarters has been relatively low, what is the reason for that? And what would be the normalized tax rate going forward? That's it from my side, Abhishek. Thank you.

Abhishek Bansal: Okay. So on our operating income, we attract a complete 25.2% tax rate. There are one or two deductions that we get. Effectively, it should be around 24%, 24.5% or so. Having said that, in a year, if operating income is on the lower side, those reductions result in a much lesser operating tax rate. But for next year onwards, I think 24%, 25% should be the tax rate on operating income and other income so far used to attract about 12% to 13% tax rate. So as you know, that taxation norms have changed from 1st of April, the treasury, that is already invested the gains that will get realized out of these investments should on an average get taxed at 12% to 13%, assuming we are holding them for three years, wherein it will be taxed at 20% with indexation.

Nikhil Choudhary: Okay, Abhishek. Understood. Thank you so much. Good luck for next year.

Abhishek Bansal: Thank you.

Moderator: Thank you. We have a next question from Swapnil Potdukhe from JM Financial. Please go ahead.

Swapnil Potdukhe: A couple of questions. One, on your headcount change. So what we noticed that your sales headcount has come off quite recently on a sequential basis. Was that a particular effort that you took to save on cost, or have you reached the required number of people to ensure that you can continue to grow at a certain growth hereon? What was the reason, basically?

Abhishek Bansal: So Swapnil, on headcount, fourth quarter typically sees lesser hiring because primarily there is a chunk of hiring that we directly do for the freshers from campuses and those joining that typically during the first quarter or so. So fourth quarter has relatively muted hiring. That is why you see that dip of around 250-300 employees in sales, but that is just an aberration. This year, the increase in manpower was significantly higher, which has yielded this particular growth as well. Going forward, there will be hiring but will be relatively calibrated.

Swapnil Potdukhe: Will it be possible for you to quantify that, like versus the current year maybe?

Abhishek Bansal: So probably, I mean, it could be around, say, overall basis, 8% to 10% at best. And there will be that whatever hiring that we have done in the last two to three quarters, we get them to desired productivity levels and thereafter reassess that, what kind of hiring we need to do for growth in later half of fiscal '24 and even fiscal '25.

Swapnil Potdukhe: Got it. And second question is on your sequential paid campaign additions. Now if I see over the last five quarters, your number has come off in this quarter, if I were to just compare that with the numbers that you were adding. So is that to say that the easier part is done now and here on the paid campaign additions will come to a normalized rate, which was seen at the time of -- just before the start of COVID?

Abhishek Bansal: Okay. So see, sequential trend in paid campaigns, I don't think so we should look at it in that much granularity that we were adding 18,000 and that has come to 16,300. Overall, on a broader picture, if you see for the year as a whole, it was decent, this particular 30% revenue growth was late as about 17%, 18% growth via realizations and rest via paid campaigns.

Fourth quarter has lesser working days compared to third quarter. So those things can play a bit of a role in terms of volume count. For next year and the coming years, overall, we would look at growing our top line, let's say, half of the growth materializing from addition of paid campaigns and rest half by realizations. There is nothing to say that easy growth has already come in and now it will be a previous sort of levels and so on.

Swapnil Potdukhe: But with the base of 76,000 additions in this year, will that be possible to achieve?

Abhishek Bansal: Yes, definitely. So I would say that we are now at a level where we were pre-COVID. Ideally, this particular business should be at a much higher level. Even from a top-down perspective, India has about 65 million small and medium businesses, another 10 million to 15 million could be freelancers, so a universe of, say, 75 million to 80 million businesses. Why should 1% of the population at least not be spending on digital advertising? 1% is a very conservative number, which comes to 800,000. So that way, this is not about opportunity size, etcetera. So the numbers that we have 538,000, etcetera. I mean, there can very well be a growth on these particular numbers for coming several years.

Swapnil Potdukhe: Got it. Just one last question, if I can also squeeze in. Any update on JD Xperts? Last time, I think you had mentioned that the pilot was successfully conducted, and you're expecting a full-fledged launch in the next quarter. So any update on that?

Abhishek Bansal: So JD Xperts, in terms of user experience, things are getting fine-tuned. Now for whatever bookings that we are accomplishing the cancellation rates, which were about 35%, 36% two quarters ago have come down to almost about 20% levels. 91% of the bookings are happening are being fulfilled on time. The average rating that we get from users for services rendered is 4.7 plus. So, this way, user experience at least is quite well established. And going forward, we shall look to scale up transactions for JD Xperts during first half of fiscal '24.

Swapnil Potdukhe: Is JD Xperts by any chance supporting your realizations improvement? How do you report that in your…?

Abhishek Bansal: At this point of time, there is no revenue contribution of JD Xperts that gets recognized as revenue and financials.

Swapnil Potdukhe: Got it. Thanks a lot for those answers. Good luck.

Abhishek Bansal: Thank you.

Moderator: Thank you. We have our next question from Darshil Zaveri from Sapphire Capital. Please go ahead.

Darshil Zaveri: Yes. Hi, thank you so much for taking my question. And congratulations on a great set of results. So, sir I would just like to ask, I think we are back to a pre-COVID level, so, kind of whatever our growth ambitions was they would have been gotten delayed by two years. So, what trajectory do we see over the next two, three years? Will we be able to grow at 30%, 40% growth rate? That was my first question.

Abhishek Bansal: So, Darshil, you are right. COVID did set us back by almost about two years. But the good part is that this particular year, First, in a single year, we were able to grow several of our top line parameters by 45% to 50%. Second, the exit run rate is much healthier versus where it was pre-COVID. So, as I mentioned in my opening remarks, we used to get about INR20 crores, INR21 crores from our ECS, monthly ECS customers way back in March '20.

But I exited March '23 at INR45 crores. So, basis that overall, fourth quarter collections were, say, about INR268 crores. And pre-COVID run rate was about INR235 crores. So, on that basis, we are already about 17%, 18%higher versus pre-COVID levels. Since we have been able to achieve such strong growth in one particular year. We do think that we will be able to have sustainable growth in coming years. Now in quantifying the same, whether that will be 20%, 30% or whatever, that we will have to see as we go along.

Darshil Zaveri: Okay, sir. So sir, with regards to margins, I think our target, would be to go back to pre-COVID levels. So would that be a linear type of growth where we could see quarter-on-quarter improvement? Or would it come after a jump when we hit a certain benchmark revenue level?

Abhishek Bansal: So, the way revenue recognition works for us is that if I pick up a contract of, say, INR24,000 from a customer. The revenue recognition is on a daily basis for say, INR24,000 divided by 365. Most of my expenses, they tend to be front ended. So, if I have ramped up my hiring, most of my employee expenses hit my P&L in that very month, which is why this particular year, my reported margins are relatively on a lower side. So, as and when revenue recognition keeps improving in future quarters, margins should keep expanding. So, you could take cue from last two to three quarters the kind of sequential improvement we have been able to demonstrate. Similar sort of trend should continue in future quarters, assuming we are able to grow our sales in a similar fashion.

Darshil Zaveri: Okay. Sir, and if I may ask one more question regarding top line. Sir, do we face any seasonality in our top line? Or would we be able to see a kind of Q-on-Q increase?

Abhishek Bansal: So, typically, fourth quarter tends to be relatively stronger for us; first quarter, slightly softer, primarily reason being that historically, March month, which is the year-end month, has seen surge of customers who have signed up and year-on-year, their renewals keep coming in. So, slight seasonality is there. Otherwise, there isn't much of a seasonality, though at a specific category level, there could be. For example, in first quarter or summer months, there would be customers for AC repairs kind of categories who could be signing up, in wedding season, it could be related categories and so on. But since overall revenue base is very diversified across categories there isn't much of a seasonality that way.

Darshil Zaveri: Okay. I think that helps me a lot. Thank, you sir. And all the best.

Abhishek Bansal: Thank you.

Moderator: Thank you. We have a next question from Darshit Vora from RoboCapital. Please go ahead.

Darshit Vora: Good evening. So, my question is quite simple, actually I just need a basic ballpark view of revenue and margin guidance going in FY '24 and '25?

Abhishek Bansal: So, Darshit, in terms of explicit guidance, we do not issue a particular guidance. But I think some of our parameters should be able to give some cues on where things could be headed. For example, as I mentioned, against INR845 crores of revenue, we had about INR945 crores of collections. The realizable value, which is the amount of money that I expect to receive in next one year. From sign-ups that I have done in the last year, that stood at broadly about INR1,000 crores or so. My deferred revenues stood at INR438 crores. And that has been growing at 30% year-on-year. So, basis this, there could be, I mean, there should be healthy revenue growth next year.

As far as margins are concerned, they should see sequential improvement. And the target would be to exit next year or even earlier at about pre-COVID margin levels. And in case there is scope for additional margins, we would take a call whether we would want to deploy those incremental margins towards advertising to grow the user base, which would aid monetization in future years.

Darshit Vora: Okay. All right. Thanks so much.

Abhishek Bansal: Thank you.

Moderator: Thank you. We have our next question from Vijit Jain from Citi. Please go ahead. Mr. Vijit Jain? Since there is no response, we'll move to the next question from Vivekanand Subbaraman from Ambit. Please go ahead.

Vivekanand Subbaraman: Thank you so much for this follow-up opportunity. Abhishek, could you talk a little bit about the INR30 crores intangible assets under development money that was spent in fiscal '23? Could you give us some colour on how much got spent in Xperts, shopping and other discretionary projects and how to think about this number getting operationalized in the P&L?

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Abhishek Bansal: So, Vivek, we had about INR30 crores spend towards these particular newer initiatives. And this particular development happens in our phase-wise manner. Most of these particular developments for the first phase are coming to end. So, I think sometime during the next or subsequent quarter, they should start getting capitalized. So, basically, they should move from intangible assets under development to capitalized assets. And thereafter, they would get depreciated over the useful life of these platforms, which could be broadly around two and half to three years.

Vivekanand Subbaraman: Great. This is helpful. Thanks a lot.

Abhishek Bansal: Thank you.

Moderator: Thank you. We have a next question from Ruchi Mukhija from Elara Capital. Please go ahead.

Ruchi Mukhija: Yes. Abhishek, since you last spoke about this, has there been any strategic discussion on the use of cash?

Abhishek Bansal: So Ruchi, right now, the INR4,050 crores treasury is deployed in safe instruments. They yield about 7.2%. There is no explicit thought process right now on utilization or disbursal of this particular cash. The idea is that the macro environment remains uncertain. We operate in a very disruptive sector, so to say. So, there could be opportunities in future either on the organic side, for example, some of our newer initiatives. They might require part of the cash, though our core business itself throws sufficient free cash flows. Or the way environment is panning out, there could be some inorganic opportunities as well. So, having said that, there are no incremental discussions over the last quarter regarding this particular usage of cash.

Ruchi Mukhija: Got it. Secondly, we used to see a seasonality for your advertisement spend, which used to fall more in the Q1 or June quarter. Do we expect the similar to happen this year? Have you started some new advertising plans for this quarter?

Abhishek Bansal: So, advertising spends, in the past, it has seen seasonality whenever we have done typically TV advertising because that tends to be lumpy in nature. Last year, bulk of the advertising was digital in nature. So, that was quite smoothened out. For next year, we could, we think INR35 crores, INR40 crores we are earmarking for digital and related initiatives. In case we assess that we need to spend more either for new initiatives or otherwise for the core business. We will assess at that point of time. So, as of now, I would not build in any particular seasonality for advertising spend.

Ruchi Mukhija: Got it. And then last bit, Abhishek, we know that, I mean, Just Dial has started integration process with ONDC. Does that have any overlap with some of the new initiatives that Just Dial is pursuing?

Abhishek Bansal: So, with ONDC, the integration, etc., is in relatively initial stages itself. We do understand that ONDC as an architecture is still getting finalized. Some particular partners have come in onboard as buyer apps and some have come in as seller apps. Our core strength historically has been service-oriented categories. So, we would see how this thing pans out. And what role we can play either as a seller side app, wherein we can onboard vendors whose digital catalogues we could create. Such that those vendors could sell online via any of the buyer side apps that are out there but it should not conflict so to say, with any of our existing initiatives.

Ruchi Mukhija: Okay. Let me add more details around this. As you said, you have strength around the service categories. Do you see or when we see having some kind of play in JD Xperts, at least at the concept level?

Abhishek Bansal: So, my limited understanding is that ONDC plays a role more on the product side, wherein if you are selling a particular product, you have a flexibility to sell via any particular consumer app, front-end app. And you also have the flexibility to choose any logistics partner for fulfilment of those. On the services side, I don't think so at this point of time ONDC shall play that significant role.

Ruchi Mukhija: Thank you, Abhishek.

Abhishek Bansal: Thank you so much.

Moderator: Thank you. We have our next question from Lavanya Tottala from UBS. Please go ahead.

Lavanya Tottala: Thanks for the opportunity. Hi Abhishek, so most of my questions are answered. I just wanted to understand your view about the incremental paid campaigns increase given the macro environment, which is making it a bit difficult for SMEs. So how do you see the incremental increase in next year FY '24 specifically?

Abhishek Bansal: So Lavanya, while you rightly pointed out the macro remains challenging. But the good part for our particular business is that post- COVID, most SMEs have a realization that if they have even INR10,000 to spend for advertising, they should ideally spend on some digital initiatives rather than any traditional media or so.

And our particular subscriptions are quite affordable at just average ticket size of INR18,000 per annum. So to that extent, so far, we have been able to grow our campaigns in the last 3 to 6 months as well when these macro challenges have been unfolding. We'll see how things proceed. But at this point of time, I think we are fairly confident that we should be able to still manage this macro and be able to grow both our campaigns as well as realizations for next year's growth.

Lavanya Tottala: Okay. So I mean, just wanted to make my understanding clear, even the exit rate in the month of March and April, more or less, the situations are not that bad as one would assume, right?

Abhishek Bansal: So March historically has been a seasonally strong month for us and this year was quite strong, like it used to be pre-COVID. April, it is still very early days, first 2 weeks itself. And in our business it's not possible to ascertain just on weekly trends whether there is softness or not. So far I do not see those concerns.

Lavanya Tottala: Okay. Got it. So I just have missed this part - B2B contribution is 26%. And within that, JD Mart, what will be the proportion of JD Mart?

Abhishek Bansal: So when we refer to JD Mart, we are essentially referring to the B2B side of the business. So 26% of our overall revenue came from SMEs who deal in B2B-related categories.

Lavanya Tottala: Yes. Out of that, how much is through Just Dial and what will be the share of JD Mart, the direct hit?

Abhishek Bansal: So there is no segregation that happens. So when a particular ball-bearing manufacturer signs up with us, that particular amount results in services being rendered across my -- all platforms, be it JD, JD Mart, be it the mobile platform, desktop platform, voice platform. There is no platform-wise segregation of that revenue.

Lavanya Tottala: Okay, Got it. And on the ad spend that you have mentioned INR35 crores, that's for the full year, which you have earmarked? Or...

Abhishek Bansal: Yes, for the full year fiscal '24.

Lavanya Tottala: It's the overall ad spend? Not just...

Abhishek Bansal: So this INR35 crores, INR40 crores we have earmarked primarily for the core business itself. For other initiatives, that will have to be looked at separately.

Lavanya Tottala: That you are planning any time soon in the next coming 1, 2 quarters for JD Mart or JD Xperts specific advertising in coming few quarters?

Abhishek Bansal: So as and when we have more clarity on the same, we shall share. So immediately, I think in next or the ongoing quarter, there is unlikely to be a meaningful stand on the same.

Lavanya Tottala: Got it. Thank you so much.

Moderator: Thank you. We have our next question from Abhisek Banerjee from ICICI Securities. Please go ahead.

Abhisek Banerjee: Hi Abhishek, thanks for the opportunity. Obviously, a great set of numbers. Just wanted some clarity on your plans for JD Mart going ahead. So you gave some details on how the transaction level KPIs have turned out for JD Xperts. Can you give something similar for transactions that are happening in JD Mart?

Abhishek Bansal: So Abhisek, JD Mart is also a paid subscription basis model. The key difference versus the core Just Dial platform is that JD Mart is focused towards B2B and search for JD Mart originates primarily as a product-based search. So earlier on Just Dial, you would search for, say, coffee machine manufacturers. But in case of JD Mart, you would specifically search for coffee machines, you will get various products out there.

And from there, you navigate to the specific merchant and then get in touch with that particular vendor. In essence, both are primarily lead generation models. In B2B, many of the user requirements are customized in nature; buyer and seller need to agree on delivery terms, payment terms, quality of the product associated, etcetera. So to that extent, the key difference, as I said, it is about the products being brought. These products have been brought in on JD also in those B2B listings, and there is a dedicated platform, JD Mart as well.

In terms of numbers, I think we have about 6.5 million -7 million businesses which qualify for these B2B categories. And out of those, for about 1 million listings, we have catalogs on our platform. Those catalogs are being enriched on a day-to-day basis. And B2B categories currently contribute about 10% to our overall traffic that we get in any quarter.

Abhisek Banerjee: Understood. So you will not be getting into the ordering and fulfillment part of the value chain with JD Mart?

Abhishek Bansal: See, the ordering and fulfillment part in case of B2B primarily happens for bulk purchase of, say, branded goods itself. So you need, say, 10,000 pieces of 100 ml Dettol hand sanitizer. Yes, those particular transactions can take place. But that, again, is a low-margin e-commerce business. For us, the low-hanging fruit is to grow our revenues from the subscription business on the core B2B side, wherein we are able to get quality buyers for sellers listed on the platform.

Abhisek Banerjee: Got it. And then JD Shopping is going to get even more defocused from here on?

Abhishek Bansal: So again, in JD Shopping, as we briefly discussed last quarter as well, the key thing that we are evaluating is the kind of unit economics that can be there. So we did certain pilots. But clearly, if we are making 7% to 8% margin, the ecosystem is such that there is no way we can even break even on those particular orders in near future or maybe in a couple of years. The approach that we intend to take is slightly different. Use JD shopping also as a lead gen vehicle, wherein we bring in our concept of, say, reverse auction, where if a user is willing to buy a Samsung mobile phone, the user is able to get quotes via our platform from local vendors.

And in case a user likes a particular quote, they could use our particular payment solution to make online payment also to that vendor. We pass on that particular order to that particular merchant. The merchant can either do their delivery on its own or they can even avail third-party logistics, which are integrated with our platform. The difference in this approach versus a conventional e-commerce or an inventory-led model is that in this particular case, the fulfillment is primarily being handled by the merchant. But we believe that this particular model will be much better in terms of unit economics. So that is how we are looking at this point of time.

Abhisek Banerjee: Yes, Understandable. But at the same time, that would also mean you would have limited control on quality?

Abhishek Bansal: So you are right. See, one approach could be that, okay, if you want to have absolute control on quality that would require a significant amount of investments. And not just that, we have seen that user behavior in India is not that loyal. So even if I were to give a great user experience, I need to be very competitive or lower in terms of pricing as well, which could consume a huge amount of cash. So since our strength historically has been services, within services versus products, I would try to scale up on services bit first and then possibly see how to play the product side.

Abhisek Banerjee: Understood. And just one last question. On spend on JD as well. So you mentioned that now you are almost ready to ramp up JD Xperts. So any indication on the timing? And exactly what -- so would it mean that you're going to do a lot of advertising? Or does it still require more operational pieces to be put in place before you can really ramp it up to a pan-India level?

Abhishek Bansal: So there are two parts to it. One is the platform becoming commercially live. That should happen over the next 3 to 4 months. The second part is ramping up transactions for that particular vertical. Now we are also conscious of the fact that from the same set of categories, we are even today earning a decent subscription revenue as well.

So while there would be a bit of cannibalization as we ramp up those particular transactions, so we will assess that at what point of time we want to deploy advertising money to ramp up those transactions. So that will communicate as and when we crystalize our advertising plans for the same. But in terms of platform becoming commercially live with the majority features that should happen in another quarter or so.

Abhisek Banerjee: Thank you Abhishek.

Moderator: Thank you. We have our next question from Raghav Behani from Citi. Please go ahead.

Raghav Behani: Yes. So last 3 years, based on B2B going from 20% of revenues to 26%, it implies B2C is down 20% over FY '22/'23. Given you have also taken some price hikes of 10% during this period, paid campaigns must be further down? That's my first question.

Abhishek Bansal: So you mean paid campaigns on B2C side?

Raghav Behani: Yes.

Abhishek Bansal: So paid campaigns on B2C side, out of the 5,38,000, yes, B2C side would be bit down versus pre-COVID levels that would have been offset partly by B2B campaigns. Having said that, B2B, the contribution is more from the realization side rather than the campaign side, because historically, our B2B realizations were very close to B2C, whereas the thought process was that once we have a dedicated platform in place, we should be able to monetize much better on the B2B side from the same customer.

Raghav Behani: Okay. And also one follow-up question. So in the balance sheet, I see that the other current liabilities is up INR100 crores year-on-year. Any reason behind this sharp increase?

Abhishek Bansal: So the deferred revenue, which increased by INR100 crores, we collected INR945 crores and we consumed INR845 crores of revenue. That incremental INR100 crores is what sits as deferred revenue on the balance sheet.

Raghav Behani: Okay, sure. That answers my question.

Moderator: Thank you. We have our next question from Rupesh Tatiya from Intelsense Capital. Please go ahead.

Rupesh Tatiya: Most of my questions have been answered. My first question is what is the number of paying subscribers on JD Mart?

Abhishek Bansal: So number of paying subscribers on JD Mart should broadly be, I think, in the range of about 120,000 or so, though I don't have the exact figures. But I think about 20%, 22% of the overall paid subscribers would be for B2B-related categories.

Rupesh Tatiya: Okay, okay. So this number I had for Q1, which was around 1 lakh. So now you're saying 1.2 lakhs.

Abhishek Bansal: Broadly anywhere between 110,000 to 120,000 or so.

Rupesh Tatiya: Okay. And then my second question, sir, is this -- I mean JD Xperts, what is kind of like revenue of the, let's say, largest player in the industry? And what kind of revenue you expect to do in, let's say, '24 and then '25?

Abhishek Bansal: So the biggest vertical player in this particular segment, as I know they do anywhere about, I think INR350 crores to INR400 crores, though there is an overseas contribution also they have. But I think more importantly, they also spend INR800 crores to INR900 crores to get that revenue. So this is the kind of mismatch that exists in the ecosystem right now in which we keep grappling with. The pricing for most of these services are at very healthy levels. For example, our haircut is at INR299, I don't think there is scope to increase prices.

And the top segment of population, which wants to avail these services, a good chunk of them are already using these services. So in light of that, we have to see that while revenue is one part of it, how much do we how much do we spend to get that revenue? We are very clear that while we want to do investments, but just putting money after something which is clearly negative unit economics, that is not prudent in the long term, which is what the entire ecosystem also, I think, is realizing over the last 12 to 15 months.

Rupesh Tatiya: Okay understood. Thank you. Thank you, sir.

Moderator: Thank you. We have our next question from Sarang Sanil from RW Investment Advisors. Please go ahead.

Sarang Sanil: Hello sir, am I audible?

Moderator: Sir, your volume is little low.

Sarang Sanil: Hello, am I audible?

Moderator: Yes sir, please go ahead.

Sarang Sanil: Now, okay. Hi, good evening. So I would like to know what is the gap between the deferred revenue growth and revenue growth on a sequential basis. Deferred revenue grew about 9% while the revenue grew about 5% while we are also moving towards higher monthly packages. So is there any accounting policy that is driving this or something else that I should know of?

Abhishek Bansal: No, so last particular quarter we collected INR268 crores from our customers and we rendered services amounting to INR232.5 crores. So deferred revenue is nothing but the increase in collection less the amount consumed. So that is what resulted in that INR35 crores, INR40 crores increase in deferred revenue.

So there is no accounting policy change. It is straightforward. Whatever money that comes in that is in deferred revenue and whatever is existing deferred revenue part of it gets represented as revenue in coming quarters.

Sarang Sanil: Okay, so it is not because we are moving to more multi-monthly plans, right?

Abhishek Bansal: So whether I sell a subscription as INR2,000 a month or I upfront collect INR24,000 for the year, the revenue accrual remains the same. So it will be on a INR24,000 divided by 365 basis. So revenue is basically what is the worth of each day service that I am providing to a customer. Whether I collected monthly or I collected upfront that does not impact revenue recognition.

Sarang Sanil: On the deferred revenue side?

Abhishek Bansal: Yes, it will impact on the deferred revenue side because in upfront mode that adds to deferred revenue. But now the monthly ECS has become so healthy that despite selling about two thirds of our subscription on monthly plans, still we were able to have INR268 crores of collections for the quarter.

Sarang Sanil: Sure. Sir, another question. So you were citing about JD Shopping that the unit economics is not working. So what is our plan with the new JD Homes while other players in the space are just burning a lot of cash and we are entering right now. What is the plan right there?

Abhishek Bansal: So in JD Homes or JD Real Estate, the key thought process is that in an erstwhile ecosystem, our user was coming to our platform and searching for estate agents or property dealers. Now as a user, I want to be able to search for properties as well.

So if I want to search for a two bedroom apartment in Malad West, I should be able to see those two bedroom apartments and then navigate to the vendor. This philosophy is similar to what we have adopted in B2B as well. That you first search for a product and then navigate to the seller of that particular product.

So the idea is simply to give a better user experience, where user sees what is their requirement and then gets connected to the seller instead of connecting with four or five sellers and then figuring out that these four are not suitable for me and this one suits my requirement.

Sarang Sanil: But are the competitor space as intense?

Abhishek Bansal: So the competitive space is intense but for me the way I look at it is that if I am earning INR20 crores from this vertical, can I make an attempt to make INR40 crores - INR50 crores from this particular vertical? And from that perspective, that is profitable revenue from that vertical and we do think that will materialize with these particular product changes that we have done.

Sarang Sanil: Sure. In order to gain more market share, we won't be burning a lot of cash, right? Just for the sake of getting more market share there, right?

Abhishek Bansal: We haven't done it for the past 14 years, so I think one can assume that, that will not be the philosophy going forward as well.

Sarang Sanil: Sure. So a couple of more questions. So any expected campaign addition for next year? So last quarter when we came in, when it had 18,000 marks, the commentary was that it was a festive quarter and that's why the muted paid campaign addition and this quarter we see 16,000, right? So any expected paid campaign addition for next year? Could we do 20,000 per quarter?

Abhishek Bansal: Okay, let me put it this way. See the total active paid campaigns are 5,38,000. 1% of 5,38,000 itself is say 5,300 campaigns. So falling short or being excess by 2,000 or 3,000 campaigns doesn't really matter much in the broader scheme of things. What exactly matters is that okay, for fiscal '24, overall how much revenue growth will we be able to get and what will that be distributed across campaigns and ticket size?

It can be very easy to possibly not take price increases or even slightly reduce prices and that 20,000 can be even 25,000. But whether it will result into overall collections revenue growth or not, that is what is the key question.

Sarang Sanil: Right, yes. Understood. So the next question on JD Pay, any transaction details that you can provide us, how much of the total transaction goes through JD Pay?

Abhishek Bansal: So JD Pay is in very nascent stages. We are in the process of enabling UPI transactions, etcetera. So at this point of time, I think it won't be meaningful to discuss quantum of transactions on that.

Sarang Sanil: Got it, sir. And the final question is about productivity of sales force. So when we see pre-COVID, campaigns for employees was much higher to what it is right now or what has been for the last four, five quarters. So any targets that you would, have going forward?

Abhishek Bansal: So the way we look at this particular metric is overall cost of sales. So our cost of sales pre-COVID used to be at about 40 odd percent or so. That currently stands at about 46% - 47% or so. So there is a significant amount of hiring that has happened. Endeavour this particular year would be to bring this particular cost of sales back to 40% - 42% kind of levels.

Sarang Sanil: Got it. Okay. Understood, sir. Thank you and all the best.

Abhishek Bansal: Thank you.

Moderator: Thank you. We have our next question from Mohit Motwani from Nuvama. Please go ahead.

Mohit Motwani: Hello. Hi, Abhishek. Thanks for the opportunity. Just one question for my end. So, you spoke about increasing the productivity of the higher sales force recently that you have hired in the last few quarters, right? And you did about INR260 crores in collections. So just wanted to get your thoughts on, if they improve the productivity, what kind of big collections do you expect from the current sales force that you have? Meaning that, they would be able to contribute to the growth in addition to the new sales force that you will hire in the coming quarters? I just wanted to get a sense of that. Thank you.

Abhishek Bansal: So when we talk about productivity, we essentially mean that, okay, the same sales person, if they were getting me INR100,000, how much extra money that I can get? Whether that extra money is coming via additional campaigns or via ticket size increases, that is a relatively secondary factor. So INR945 crores we did for the full year.

And the sales headcount is, I think, higher versus pre-COVID levels by probably 1,500 or so. So the idea would be, can we get another 10% sort of revenue with productivity improvement in the existing sales force itself? And thereafter, whatever is the additional growth that we want to do for the year and coming year, part of it will require additional manpower.

Mohit Motwani: All right. Thank you so much.

Abhishek Bansal: Thank you.

Moderator: Thank you. We will take a last question from a connection as HS SA-self. Please go ahead with your question.

HS SA: Hello. Hi, can you hear me?

Moderator: Yes.

HS SA: I just have one quick question. What is the realizable value for quarter 4? You gave it for the year, but I do not know for the quarter 4 itself.

Abhishek Bansal: It should be about INR270 crores to INR280 crores.

HS SA: Okay. So, obviously you had mentioned last quarter was 265 as I understand, and you said it was a relatively weaker quarter. But do you feel that the realizable value given your current manpower has it flattened or do you expect this to further grow quarter-on-quarter towards like whatever benchmark of the next 10% or 20% that you have? Or is this now you feel it is flattened given this employee base?

Abhishek Bansal: See, the realizable value, let us understand, it is an estimate that I do versus my historical trends to assess that what is the money that I expect to receive over the next one year. So, that estimate obviously keeps getting revised every particular quarter. So, last quarter did have a sequential improvement and there is scope for these particular realizations to further improve as and when the existing sales force becomes more tenured in the system.

HS SA: Okay. And an absolute final question for me. Thank you for that. And the employee cost this year was around INR65 CR. So, you believe that next year would it be wise to say INR70 crores to INR72 crores would be what you would be looking at? Would it be a fair number for me to take?

Abhishek Bansal: You are considering it on a monthly basis or how you are taking it?

HS SA: I am sorry, annually?

Abhishek Bansal: So, annual was about INR650 crores.

HS SA: Yes, sorry about that, INR650 crores yes. And so, would that be INR720 crores, would that be a fair number to take?

Abhishek Bansal: So, I think yes, 10% to 12% increase on overall employee expenses could be the case.

HS SA: Okay. Thank you. That's all from my side.

Moderator: I will now like to hand the conference over to Mr. Abhishek Bansal for closing comments. Over to you, sir.

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: On behalf of Just Dial Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.