Just Dial Limited Q2 FY23 Earnings Call

October 17, 2022

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

Moderator: Ladies and gentlemen, good day, and welcome to the Just Dial Limited Q2 FY '23 Earnings Call. We have with us today on the call, Mr. V.S.S. Mani – MD and CEO; and Mr. Abhishek Bansal – CFO. 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.

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

Abhishek Bansal: Hi, everyone. Welcome to Just Dial's Earnings Call for Second Quarter of Fiscal '23. Our operating revenue for the quarter stood at Rs. 205.3 crore, witnessing 10.6% sequential growth and 31.6% on a year-on-year basis. Same quarter previous year was severely impacted due to COVID. Our adjusted EBITDA, excluding ESOP expenses, stood at about Rs. 19.5 crore, representing an adjusted EBITDA margin of 9.5%.

Our employee expenses have increased by about 37% on a year-on-year basis, led by 53% year-on-year increase in headcount across sales, technology, content and marketing functions. Our advertising expenses for the quarter stood at about Rs. 5.2 crore.

Other income stood at Rs. 56.5 crore for the quarter, partly offsetting MTM losses that we witnessed in previous quarter. Profit after taxes stood at Rs. 52.2 crore, representing a growth of 58.6% on year-on-year basis.

Coming to business update. We signed up about 71% customers on monthly plans basis, and this strategy has continued to work well for us. Second quarter collection stood at Rs. 230.5 crore, growing about 14.7% sequentially and 26% on a year-on-year basis. This growth considering high proportion of customers came on monthly plans, where upfront collections are lower, is encouraging. We have also taken price hikes in certain geographies in recent months, and sign-ups have still held up pretty well.

Active paid campaigns at the end of the quarter stood at 503,840, which was up about 17% on a year-on-year basis and 4.2% sequentially. Paid campaign addition of 20,000-plus campaigns for the quarter despite price hikes is indicative of sustained recovery, which we are witnessing post COVID impact. Deferred revenue stood at Rs. 378.6 crore, which was up 7.1% Q-o-Q and 13.3% Y-o-Y. The realizable value of sign-ups that we did in second quarter stood at about Rs. 275 crore to Rs. 280 crore. Realizable value is total money that we typically expect to receive in 1 year from both upfront and monthly plans that we have sold during the quarter. Considering realizable value trend is significantly higher versus our collections and accrued revenue, that indicates a healthy trajectory for our core business.

Our monthly ECS collections, which is money received from direct bank debits for monthly plans, stood at Rs. 39 crore for September '22 month versus just about Rs. 13 crore a year ago.

So, the ramp-up in sales hiring is overall yielding good results, and we should see even better monetization going forward.

As far as margins are concerned, they are also on an improving trajectory. Most employee costs hit our P&L immediately, but corresponding uptick in revenue recognition happens with a lag as services are rendered. So, as we see our top line ramp up in coming quarters, we should see margins improving further. Overall, cash and investments stood at Rs. 3,819 crore as on 30th September.

Coming to operating highlights. Traffic stood at 156.5 million unique users for the quarter, growing about 4.6% year-on-year. 85% traffic now comes on mobile platforms, and total listings in our database now stands at close to 34 million. Our desktop site shall see a complete revamp in coming weeks. New initiatives too are undergoing improvements to enhance user experience.

Overall, the way we see it is, we see the core business coming back on track. Revenue is currently just 13% to 14% short of pre-pandemic peak levels, and paid campaigns are about 6% short, and this gap will also get bridged shortly in next 1 to 2 quarters. Basis realizable value, which is a sort of leading indicator for where things are headed, we are anyway significantly, say, 18% to 20% higher versus our pre-COVID peak levels.

So, with this brief update, we shall now open the floor for questions. Thank you.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Swapnil Potdukhe from JM Financial. Please go ahead.

Swapnil Potdukhe: I have couple of questions for you. So, first one is on the collections. So, would like to understand what proportion of the total collections, new collections are we getting from B2B2C customers? And how much of that is coming from B2B customers?

Abhishek Bansal: So, Swapnil, on collections, approximately 25% to 30% is coming from B2B segment customers and rest is coming from B2C segment customers.

Swapnil Potdukhe: And the ARPUs in the B2B would be at what range versus the B2B2C?

Abhishek Bansal: So, typically, ticket size in our B2B monetization are about 10% to 15% higher versus our overall average.

Swapnil Potdukhe: And the second question is with respect to a new line item that is there in your balance sheet, basically intangible assets under development. I would like to understand what does it actually pertain to? My initial sense was that it might be related to the capitalization of certain costs related to new initiatives. So, any take on that?

Abhishek Bansal: Yes, you are right. So, this Rs. 22 crore of capitalization pertains to new initiatives pertaining to transaction-oriented services that we have been working on. This does not pertain to any of JD Mart or B2B related initiatives since those particular platforms are already live.

Swapnil Potdukhe: And how should we look at these expenses going forward on a quarterly basis? So, some sense on the run rate that we can expect?

Abhishek Bansal: So, first quarter, these expenses were about Rs. 12 crore and second quarter, they were at about Rs. 9 crore. So, I think these expenses as we see would sort of trend down. So, it all depends on how these particular platforms become live. If they become live even in a phase-wise manner, as and when they keep going live, the corresponding expenses get depreciated. So, overall, as far as expenditure is concerned, I think annual run rate should be similar or close to what the half yearly run rate is.

Swapnil Potdukhe: And how should we think about expensing out these like expenses?

Abhishek Bansal: So, these expenses, the way accounting works is that these are typically expensed over the useful life of that particular asset. So, we try to assess that for these particular platforms that are being created, what could be the reasonable conservative useful life, could be, say, 2 to 3 years. And in that particular period, these get amortized.

Swapnil Potdukhe: And just last one. How should we think about the A&P expenses? Last quarter, I remember, you had guided for around Rs. 60 crore of A&P expenses for the full year. But in the first half, I think that number is way too low. So, how should we go about thinking about those?

Abhishek Bansal: So, advertising spend for the first 2 quarters, you are right, they were about Rs. 11 -12 crore. So, advertising, currently, most of it, what we are doing is digital in nature. Whenever ATL campaigns kick in, they tend to be lumpy in nature. We had guided for about Rs. 60 crore of advertising spend for the full year. The way first half has panned out is that we have spent more on, say, employee expenses and hiring our team across various functions and part of it has been offset via lower advertising.

So, for full year at this point of time, I think, could be around Rs. 30 crore to Rs. 40 crore instead of what we had previously budgeted. As and when we think we need to go aggressive on ATL campaigns, we will review the same.

Swapnil Potdukhe: And should we focus on incremental advertising next year onwards? So, like will it remain at the Rs. 35 crore to Rs. 40 crore range that you mentioned?

Abhishek Bansal: So, there could be advertising for any new rollouts that we do either pertaining to the core business or new initiatives. So, as and when those particular initiatives become fructified, we will take an adequate call.

Moderator: The next question is from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand Subbaraman: I hope I'm audible. So, I'll start with a few bookkeeping ones. So, could you give us a sense of the top 11 markets and rest of India campaign and revenue mix? Secondly, Abhishek, I joined a bit late, so if you already discussed the realizable value and comparison to pre-COVID levels, that would be helpful.

And if you can also briefly touch upon what is the proportion of campaigns that you signed up during the current quarter that were monthly in nature versus your overall stock of campaigns, how much is roughly? Third bookkeeping one is on traffic. How much is inorganic? So, I'll ask my other questions after these bookkeeping ones.

Abhishek Bansal: So, Vivek, first question, top 11 cities contributed about 42.5% by volumes and about 63% by revenue. Second question, realizable value trend. So, last quarter, realizable value of sales that we did during the quarter was about Rs. 275 crore to Rs. 280 crore. Pre-COVID, the peak that we had was about Rs. 235 crore to Rs. 240 crore. So, overall, about 18% to 20% higher was the realizable value for last quarter.

Third question regarding proportion of monthly campaigns. So, about 71% of the deals were signed up on a monthly basis in last quarter. Basis that as things stand, overall, about 50% of the quarter-end active campaigns are currently on monthly plans. And the same number was only about 19% to 20% a year earlier. As far as inorganic versus organic traffic is concerned, about 10% of the traffic came via inorganic route, and rest of the 90% traffic was organic or without any fee for it.

Vivekanand Subbaraman: The next one that I have is on the product road map for the projects that are under development. Could you give us a sense on when you will make these products JD Shopping, JD Real Estate live with respect to commercial launch? And could you also please give us an update on the status of the trials that are going on right now?

Abhishek Bansal: So, on the new initiatives, several pilots are in progress. We are in the process to work out a roadmap. Basically, user experience is paramount, which is being looked at across these verticals. Some of these projects tend to be long gestation projects. At the same time, we want to be sure that whatever initiatives that we are taking; they should have a long-term profitability road map in place as well.

At this point of time, the way we are looking at the business is the core business, since that is the sort of cash cow for the company, we want to get that back on track ASAP, and which is already visible. The new initiatives, we are working to enhance user experience and as and when we see some of those going to the next stage, we shall share a more detailed update.

Vivekanand Subbaraman: Just 1 follow-up on the product road map. So, would you be able to give us a sense of where these 3 projects are, JD Shopping, JD Xperts and JD Real Estate in terms of commercial readiness? Is any one service much more advanced in terms of the roll out?

Abhishek Bansal: So, firstly, say, in case of JD Real Estate, essentially, the thought process is that can we enrich our content by sort of creating a catalog of the agents and builders on our platform. So, earlier, if you were searching for real estate agents, we were simply giving you a list of those agents. Now the need of the hour is also to list properties be it for buying, selling or renting. So, I would classify that as catalog creation for those particular real estate-related listings.

In case of JD Xperts, there are about 9 to 10 services that are being piloted in about 10 cities. AC repair and pest control are being piloted across cities and certain other repairs and service-related categories are selectively being tried and tested. We are in the process of onboarding vendors as well. And the good part is that whatever services that are being rendered, the user rating is reasonably good. Similarly, in case of JD Shopping, we are doing certain pilots to figure out what would work best for both the users and the vendors. So, that is where these projects are.

Vivekanand Subbaraman: On JD Shopping, I had 1 question. Given that the government has recently also done trials of its own marketplace which is ONDC, are you guys working with them? Or is this something very different? Just to understand, it seems that the government is targeting merchants who are pretty similar to the kind of merchants that work with you?

Abhishek Bansal: So, ONDC, the way we understand is that it's not a platform that our government is creating. It's architecture, it's a process that our government is trying to put in place. So, the government is saying that on one hand, you have the buyer apps. On the other hand, you have the seller apps. So, seller apps are used to onboard a particular merchant, basically create a digital catalog of that particular merchant. The buyer apps are the front-end apps on which the user traffic is coming and user can purchase whatever goods or services they want to.

At Just Dial, we are also evaluating, integrating both as a seller side app and buyer side app. The key advantage could be SMEs who are listed on our platform, we could easily create digital catalogs for them, and it will be beneficial for SMEs because they can then enable those catalogs on any of the buyer side apps they want to.

On the other hand, SMEs who have already created their digital catalogs via any other seller apps, we would encourage them to also enable their inventory for our particular platform as a buyer app because since they have to pay commissions only on orders that are received, they have nothing to lose. So, that could basically give us a ready inventory of those particular SMEs.

So, overall, as I see, it's not about targeting our particular SME base. It is about an approach towards digitalizing as many SMEs as possible, which in fact, works well for us because the same SME can be pitched to create these digital catalogs, so digital advertising along with the capability to receive orders, both are very important for any SME in this particular Internet era.

Vivekanand Subbaraman: So, is there a play for you in terms of your omni product also in this? I'm just trying to understand.

Abhishek Bansal: Yes. So, the seller side app, which is the platform to create a digital catalog for any particular business. That is where this particular omni product that we have already created could come in handy. We are already studying ONDC. It's in very initial stages, the overall ONDC architecture. And I think we will sort of figure out where we fit in the entire ONDC ecosystem.

Vivekanand Subbaraman: And the last one I had, you mentioned about the focus being on getting the core business back on track. So, in collections, already, it seems like you are back. And I mean if it's realizable value is Rs. 275 crore, Rs. 280 crore versus, say, Rs. 235 crore, then you are definitely 17% to 20% higher than pre-COVID levels. So, when do you think, Abhishek, this translates into revenue? That's one.

Secondly, with respect to the paid campaigns. The growth we have seen has been steadily healthy in the last 3 quarters. And this quarter, we are also seeing that the yields have hardened. So, how should we think about that in the next few quarters to give us a sense of how collections could evolve?

Abhishek Bansal: So, on your first query around when does it translate into revenues. So, that trajectory is now already visible. So, if you see we are about 31% higher versus the lows of revenue that we saw post-COVID impact. We had gone down to as low as about Rs. 156 crore or so. And from there, now last quarter was at Rs. 205 crore. And so that way, whatever realizable value improvement we have been seeing over the last 2, 3 quarters, that is already percolating into better revenue. And similarly, in coming quarters also, there should be an improving trajectory. Same is also reflected in paid campaigns.

So, in fact, paid campaigns have caught up much faster versus revenue simply because in monthly plans, we are signing up much more number of customers. In coming quarters, you will even see the realization per campaign sort of inching up. So, I think overall, the way it will pan out is that collections should keep moving towards catching up with realizable value and P&L revenue will be moving up to catch up with the collections.

Moderator: The next question is from the line of Vijit Jain from Citi. Please go ahead.

Vijit Jain: Hi, Abhishek. I have 2 questions. One, is this comment on realization that you just made inching up, I'm just wondering on a like-to-like basis, when you go back to some of the and sign up some of the campaigns that you may have lost during the COVID period, are you taking price hikes there? Or this is just a matter of Tier-1 slightly coming back faster, and therefore, your realizations improving? So, I'm just wondering if there's a pricing action taken here as well? That's my first question.

Abhishek Bansal: So, on the pricing action, 2 things have happened. One, from last November or so, we withdrew all kinds of discounts that we were offering during the COVID period. So, one, that is helping. Second, in recent months, we have also taken up price hikes. For example, the Tier-1 cities, we have tried to hike a price by about 12% to 15%. And despite that, our deals have sort of held up well. So, it's a combination of withdrawal of COVID discounts and now additional price increases, basis relevant geographies and categories that is into place.

Vijit Jain: And my second question is on the headcount. Obviously, a lot of headcount addition as you've also gone back into adding a lot more campaigns. Just wondering how you look at that going forward? And related question to that, what's your tech headcount right now?

Abhishek Bansal: So, on the overall headcount, majority of the additions are taking place in our sales team. So, there, since we are finding that we now have a sort of well-oiled machinery that is able to grow the number of sign-ups despite price hikes, etc., so we do intend to continue hiring, keeping, say, next 2 fiscal years in mind. At the same time, we are trying to ensure that we don't lose sight of productivity. Our cost of sales, direct cost of sales should stay well within our defined limits. And as far as overall technology team headcount is concerned, so technology team headcount is about 450 employees or so.

Vijit Jain: It's the same as a couple of quarters back, right, because that was the numbers there as well? Just trying to double-check that.

Abhishek Bansal: So, on a year-on-year basis, there is an increase of about 95 employees in that. In recent 1 or 2 quarters, it might not have been that much increase.

Moderator: The next question is from the line of Lavanya Tottala from UBS. Please go ahead.

Lavanya Tottala: So, Abhishek, I just wanted to understand if you see any time lines for the new initiatives that are in pilot stage now. So, do you see any time line for this launch to happen completely, maybe at least for JD Xperts, which is a bit in already in 10 cities?

Abhishek Bansal: So, Lavanya, we are working internally with a certain time lines for specific categories, et cetera. But I think at this point of time, we want to ensure that we get these particular verticals, right, before we make any sort of meaningful announcement.

So, as I said that the core business is about discovery. The second new initiatives are pertaining to adding a transactional layer. Adding transactional layer has multiple elements to it. You need to ensure user experience is right. You are basically taking responsibility for the experience that is getting delivered. So, some of those particular nitty-gritties we are still figuring out. As and when there is a tangible update, we shall share the same.

Lavanya Tottala: So, even the services which we are offering now, did we expand in terms of whatever we were doing in pilot? Like previously in last quarter, how many cities? And current quarter, what's the trend in the number of cities that this pilot was going on?

Abhishek Bansal: So, certain services are live in a certain specific set of pin codes because you need to onboard merchants for each category and to cater to all the relevant pin codes. In terms of number of categories, I think previous quarter, there were about 8 categories. Now there are about 9 to 10. But I think coverage is getting expanded in terms of more number of PIN codes. So, 10 categories, 10 cities, this covers a huge proportion of the universe for on-demand home services. But within that, there are nitty-gritties in terms of how many merchants you have, how many pin codes you are catering to, what all services within a particular service you are providing and so on.

Lavanya Tottala: So, also on our core business, so you have highlighted that now the monthly plans are about 50% as compared to around 19%, 20%, which was a year earlier. How do you see this trend going ahead? Because these kind of monthly plans, which we have launched was to promote our vendors to come back onto the platform. Do you see this trend to continue? Or do you think that it will go back to what it was earlier?

Abhishek Bansal: So, for the last about 2 to 3 quarters, every quarter, we are signing up about approximately 70-odd percent customers on a monthly plan basis. Rest of the customers, some customers have their preference, they want to sign up on full annual plans, et cetera. So, if we continue to stay on 70%, then overall active paid campaign count after a few quarters should converge with the 70% number.

Lavanya Tottala: And I just missed the number which you have given for collections. Can you just help me with that number?

Abhishek Bansal: About Rs. 230.5 crore for the quarter.

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

Abhishek Banerjee: So, a couple of questions from my side. Last quarter, you had mentioned that the proportion of B2B sales for you had gone up to 26%. What would it be for this quarter?

Abhishek Bansal: For second quarter also, it was close to 26%.

Abhishek Banerjee: So, any faster growth that you are seeing in the B2B segment, generally?

Abhishek Bansal: So, B2B segment is contributing to higher growth in terms of whatever realizable value that we are seeing in that particular quarter. I think there, the contribution would be around 30% or so. But post COVID, now even the B2C segment is coming back strongly, which again, obviously, is a focus area for us since that is the majority revenue contributor.

We do have a dedicated 650-, 700-member B2B sales team, which is working on monetization. At the same time, work is ongoing in terms of enhancing content for B2B vertical. So, overall, yes, B2B has relatively higher growth versus B2C.

Abhishek Banerjee: And one more question, sir. What exactly is the cash in hand as of now after the raise?

Abhishek Bansal: Total cash and investments at the end of the quarter was about Rs. 3,819 crore.

Abhishek Banerjee: So, there was a preferential issue as well, right?

Abhishek Bansal: That happened in same quarter last year. So, before that particular preferential issue, we had about Rs. 1,500 crore cash. Preferential issue was about Rs. 2,165 crore and basis any additional accruals and mark-to-market gains, current treasury size is about Rs. 3,820 crore, Rs. 3,819 to be precise.

Abhishek Banerjee: Now if I am to see into the future, so you mentioned that you will calibrate your media spend as and when the need arises, right? So, for the new initiatives, do you see some CapEx also going out?

Abhishek Bansal: So, there is some CapEx that happens in terms of catering to any additional IT infrastructure or any additional other resources that we might need. For example, last full year CapEx was about Rs. 15 crore. But in first 2 quarters, we had about Rs. 14 crore of CapEx. So, partly, it is for new initiatives, partly it is also for the core business in which there was very low CapEx for last 3 to 4 years. So, that is how it is.

Abhishek Banerjee: Now going ahead, as you see the core business coming back strongly, do you see room for efficiencies of scale? I mean, what is the margin outlook in your mind at least?

Abhishek Bansal: So, the new salesperson that comes on board after a certain tenure, they tend to sort of reasonably show up higher productivity. So, since there has been significant hiring over the last 3 quarters, the employee costs have seen a jump immediately, while it has reflected in higher realizable value also. I think as the current staff tenures, the revenue monetization should be even higher.

Overall, over a sustained long-term period, 25% to 30% margin is where we would want to go at. And incremental margins, at that point of time, could either be deployed into additional advertising or any other initiatives. So, we'll take a call at that point of time. Today, if I were to look at my margins, this is the money that I'm collecting or versus even the realizable value, they are already at a very healthy level.

Abhishek Banerjee: So, when you mean over the medium term, you mean the next couple of years, I'm guessing?

Abhishek Bansal: Yes. So, I think fiscal '24 will be a relatively stabilized year in terms of we would have come out of the COVID impact, plus we would have had done a good chunk of our hiring already, and that particular sales force would have started to become tenured.

Abhishek Banerjee: And your new initiatives will obviously, at least to begin with, be margin dilutive, right? And the pilots that you were planning were supposed to happen, like, I think, by Q4 of this year. So, is there any change in that? Or I mean, are you sticking to that ruling, especially in JD Mart alone?

Abhishek Bansal: So, some of the new initiatives, the Rs. 22 crore that we spend that anyway is sort of capitalized, so that has not been denting our particular margins. In fact, this intangible enables us to see a clearer picture for our core business. We'll continue to sort of invest in these particular pilot projects.

The pilots are happening on a day-to-day basis. So, some of the best way to do pilots in these particular products is to make them live see what is the user experience for employees that are using the service, external users that are using the service, and that is how you sort of keep improving. And once it is stabilized, then you work towards scaling traffic. So, that is what the thought process would be. At the same time, we would want to ensure that we don't want to run a business where for next 5 years, we don't have any sight of profitability or profitable growth in place.

Abhishek Banerjee: Absolutely. That makes perfect sense.

Moderator: Mr. Banerjee, sir, sorry to interrupt, but for any follow-up questions, may we request you to rejoin the queue, please. Thank you. The next question is a follow-up from the line of Vivekanand Subbaraman from Ambit Capital. Please go ahead.

Vivekanand Subbaraman: Just a couple of follow-ups. So, one, on the employee side. So, prior to COVID, you had around 13,000 employees, but now it's 15,000. So, Abhishek, is it possible to help us with a bridge in terms of the additional headcount that has been added? Where has that or rather what projects are they assigned to? Secondly, how are you thinking about the productivity metrics for employees across businesses?

Abhishek Bansal: So, firstly, when we had 13,000 headcount pre-COVID, we had about 9,800 employees in sales function, which today stands at about 11,300. So, a 1,500 addition in that is in directly sales function for the core business versus overall 2,000 delta, which is 15,000 less 13,000. Rest of the 500 employees are part of the addition is on the technology team, part is in content team, and certain other specific teams for new initiatives.

As far as KPIs, etc., are concerned, anyone on the core business side, obviously, on the sales side, it directly relates to how monetization and profitability is panning out. For newer initiatives, it is linked to a rollout of new features, users rating for those particular new features and so on. So, for new initiatives, they are primarily linked to the ramp-up of product rollout and for existing life products, it is primarily as far as possible linked to revenue and profitability.

Vivekanand Subbaraman: A follow-up. So, the 1,500 people added in sales, those people are largely for the core business, right? Is that how one should think about it?

Abhishek Bansal: They're completely for the core business.

Vivekanand Subbaraman: So, in a way, Abhishek, if I were to look at, let's say, the realizable value of the collections, which is around 15%, 20% higher versus COVID, your sales headcount has moved up similarly. Is that a fair way to see things in terms of productivity?

Abhishek Bansal: So, it has moved up similarly. The way I look at it is that while a majority of this particular sales team has come on board in the last 6 to 9 months, as soon as these particular sales employees cross, say, a 12- to 14-month tenure, there output productivity improves even further. So, while I have already received 15%, 20% higher output compared to 15%, 20% higher manpower addition, going forward, I should sort of get benefits of operating leverage in terms of this existing sales team becoming tenured in nature. So, the average tenure of existing 11,300 employees would be lesser versus 9,800 employees that I had at the time of pre-COVID. So, as and when this 11,300 average tenure goes up, that should aid my monetization even further.

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

Abhishek Banerjee: Just a couple of more questions from my side. So, in terms of employee productivity, what is it with respect to pre-COVID right now? Is it at 80%, 90%? Or have you already reached 100% of employee productivity?

Abhishek Bansal: So, Abhishek, the way we look at employee productivity is, we look for at a certain tenure what is the productivity. So, for a like-for-like comparison, the same tenure folks are already higher versus the pre-COVID levels. However, considering we have a good chunk of employees in a lower tenure bucket, that is why overall cohorts productivity might be lower versus pre-COVID?

Abhishek Banerjee: So, can you give me that number, that overall average number, so that I get a handle on how that will impact margins?

Abhishek Bansal: So, the way we look at it is we look at gross cost of sales, which is revenue less direct salaries and incentives that we pay to our sales employees. Pre-COVID, that used to be about 40%, 42%. And currently, equivalent number is about 45%, 46% or so. Having said that, the way productivity is panning out, we should be at even better or lesser cost of sales versus where we were pre-COVID?

Abhishek Banerjee: So, at least a 300, 400 basis point margin improvement coming just from there?

Abhishek Bansal: Yes, it should be even higher. Or the other way to look at it would be that today's quarterly cost structure is showing as Rs. 205 crore as top line, but the same cost structure is bringing in Rs. 230 crore of collection, and the same cost structure will likely generate Rs. 275 crore to Rs. 280 crore of collections in future. This Rs. 275 crore to Rs. 280 crore is the realizable value of sales that I did in last quarter. So, versus about, whatever Rs. 180 crore odd cost structure I had, say, Rs. 185 crore, Rs. 186 crore, Rs. 186 crore should not be benchmarked to Rs. 205

crore, it should be benchmarked very theoretically to, say, Rs. 275 crore or worst case, Rs. 230 crore of collections that I got during the quarter.

Abhishek Banerjee: Absolutely clear. Very clear, very clear. Just 1 last question on the new initiative side, which I was trying to ask that. So, most of the new initiatives which you are going to do is going to be on the hyper local B2B side, right? At least that is how you perhaps look, right? So, my understanding is these kind of businesses, it is generally gross margin accretive from day 1. I mean it is gross margin positive on day 1, right? So, is that understanding correct?

Abhishek Bansal: Can you elaborate further that how do you conclude that these are margin accretive from day 1?

Abhishek Banerjee: So, I mean gross margin positive. So, you will not make sales which actually cost more to deliver than what your customer is paying.

Abhishek Bansal: So, it depends, my top line would be my commission revenue, right? So, my top line would not be the entire transaction value from the platform since I'm an agent, I'm not a principal.

Abhishek Banerjee: Yes. So, you will be supplying the logistics services, right? So, that will be a cost for you.

Abhishek Bansal: Yes, that will be a cost, but you are right that in case of overall unit economics, for example, if I have a 8% commission, whatever spend that I would want to do should ideally fall in that 8% commission bucket.

Abhishek Banerjee: From day 1. That's all I was trying to understand.

Abhishek Bansal: That is how ideally it would be. But honestly, the ecosystem is such that portals are spending much higher to get that 8%, which is what we want to not do because for others who have done that even for last 10 years, they are still struggling with profitability. So, we want to be cautious on how we tread path for these transactions.

Abhishek Banerjee: Absolutely. And probably that explains the delay in those things actually coming up, right?

Abhishek Bansal: Yes, definitely. So, we want to be sure that, okay, it is very easy to scale some of these things, right? So, you can scale up. But at what cost is the key question.

Moderator: The next question is a follow-up from the line of Abhishek Banerjee from ICICI Securities. Please go ahead.

Abhishek Banerjee: Is there any update on the integration with the pay rent on Jio platforms?

Abhishek Bansal: So, we are working with overall RRVL team, firstly, to get our strategy piece right. Second, as far as integrations are concerned, some integrations have already taken place with Jio being integrated with our particular app. Efforts are underway to also place JD app as part of various platforms that they have, for example, MyJio and any other similar platforms.

Abhishek Banerjee: And any inter linkages between the Jio partner app with JD because that is also a B2B-centric platform or Jio business for that matter?

Abhishek Bansal: So, I wouldn't say anything sort of crystallized at this point of time. As and when there is any specific update for the same we shall share.

Moderator: The next question is from the line of Vijit Jain from Citi. Please go ahead.

Vijit Jain: Abhishek, I just wanted to clarify on the comment you made about revenue less direct expenses, including incentive. I just wanted to rehear the numbers you used. Because you mentioned, I think, 45% as the gross margins pre-COVID and 40% right now. Is that understanding correct?

Abhishek Bansal: No. So, 45% is my current gross cost of sales, which used to be 40% pre-COVID. So, gross margin currently is about, say, 55% versus it used to be, say, 60% earlier. And this 55% should surely cross 60% levels in coming quarters as and when my existing sales force gets tenured.

Vijit Jain: So, when you do this, you are basically just including the direct sales force expenses within your personnel expenses? That's the broader metric.

Abhishek Bansal: So, primarily salaries and incentives that I pay to my sales employees and any other small direct costs that might be there.

Moderator: As there are no further questions, I would now like to turn the conference over to Mr. Abhishek Bansal for closing comments. Over to you, sir.

Abhishek Bansal: So, in case you have any further queries, please do reach out. We would do our best to address. Thank you so much for joining, and best wishes for the upcoming festive season. Thank you.

Moderator: Ladies and gentlemen, on behalf of Just Dial Limited, that concludes this conference. Thank you for joining us, and you may now exit the meeting. Thank you.