



**“JustDial’s Q3FY14 Results Conference Call  
Hosted by Citigroup Global Markets”**

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**Moderator:** Ladies and gentlemen good day and welcome to JustDial's Q3FY14 Results Conference Call hosted by Citigroup Global Markets. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Malhotra from Citigroup Global Markets. Thank you and over to you.

**Gaurav Malhotra:** Thank you. Good evening everyone. Welcome to JustDial's 3<sup>rd</sup> quarter FY14 Results Conference Call. We are pleased to host the management of JustDial on this call and today we have with us Mr. Mani – the Founder & CEO, Mr. Ramkumar – the CFO and the senior team of JustDial. Without taking too much time, I will hand over the management for initial remarks. After which, we will have the Q&A. Over to you.

**Ramkumar Krishnamachari:** Thank you. Good evening friends and let me dive straight into the highlights of Q3: The operating revenue increased by 26% to 119.86 over previous year same quarter. The operating EBITDA increased by about 40% to 33.35 crores from 23.75 crores same quarter previous year. The EBITDA margin increased by 300 basis points to 28% as compared to previous year and the net profit increased by about 86% to roughly around 30 crores from 16 crores previous year. The net margin was stood at around 23% as compared to 16% in the same quarter previous year. The cash and investment balance stood at 608 crores.

Coming to the operational metrics – On the usage front, the overall usage grew by about 25% year-on-year and the overall search grew by 42%. On the usage front, the mobile internet grew by about 131%, PC internet by about 16% and voice by about 5%. On the search front, PC grew by about 26%, mobile by about 184% and about voice by 5%.

Before I get on to the Search Plus and other stuff, let me give you color of the revenue expenses and the EBITDA and I will get on to the Search Plus after that. On the revenue front, what we have done in this quarter is that we have moved away from the zero DP or the zero down payment for certain evergreen contracts which we were selling in the quarter 1 and quarter 2 and as a result what we have seen is that we have been able to drive the quality of the signup that we are having with our advertisers. So what you would have noticed is that the average campaign or the active campaign as at the end of December 31<sup>st</sup> is about 2,49,000, an increase of about 11,000 over the previous quarter.

On the expense side, we had in this quarter as planned earlier, we had incurred advertising cost to the extent of about 5 crores which normally we incur advertising cost during Q2 and Q3. Last year we did that and this year we had incurred an advertising cost in Q3. As a result of which, quarter-on-quarter, the margin had come down by about 300 basis points, but this was planned and it is in line with what we had as part of the planned strategy. Also on the expense front, we had increased the overall employee base by about 5% primarily driven by the sales force which increased overall by about 8%. This is again in line with our planned expansion strategy of

investing in the right areas, augmenting the salesforce and the technology force. That was from the expense side. On the investment, what we have done on the other income is that the most of the investments are more than one year and as and when the markets are appropriate, we have been booking profits and we have seen this as the yield on such investments are around 8%. So this is going to be a normal trend as we move forward.

Coming on to the Search Plus – as you would have known from our earlier press release, during the quarter Q3 we had launched many of the Search Plus services and today as we speak, more than 10 search services are live on our platform. Anything from doctor's appointment to ordering grocery to booking or reserving a table, ordering food, scheduling an appointment for AC repair etc. all these are live. There are many more products which are in the pipeline as we speak. So the early user adoption has been quite encouraging given the fact that we have not yet gone to the wider public familiarizing or popularizing the services and at this current moment, we are engaging with the SME of the vendor community to sort of explain to them the benefits of the services, importance of having them and online presence through this Search Plus platform and having them familiarize with the fulfillment process etc. So that is what is happening as we speak right now. The technology is ready. We are growing with the vendors for their adoption and then as appropriate soon we can go to the users. With that, we will now be open to take any questions.

**Moderator:** Thank you very much sir. We will now begin the question and answer session. First question is from the line of Raj Mohan from Professional Investor. Please go ahead.

**Raj Mohan:** My question had larger in the sense perspective understanding. Though a larger base tends to make the growth math progressively difficult for you, how much has the slowdown in the economy contributed to a fall in growth rates like basically historically we have been seeing growth rates, topline growth upwards of 40% and with a low penetration, the room for sustained growth has been portrayed to have no major impediments. Has the company done an assessment of the impact of the slowdown in economic growth in terms of fall in its own growth dynamics from say 40 plus percent to the current 25%?

**V.S.S. Mani:** This is Mani here. Good afternoon everybody. We can definitely not isolate ourselves from macro picture, but we are one of the less affected companies if you may call it, but yes, if things are looking really robust and very good, obviously the growth rate would have been much better because it also adds up to the sentiments and the amount of money that people want to spend, but as you have seen that we have grown about 26%. Many companies in traditional media have actually not seen growth also. They have been flattish or negative because people generally curb expenditures on traditional media and try to spend on more effective mediums like JustDial. If economy is better, it is obviously merrier for us, but we have not done that too well.

**Ramkumar Krishnamachari:** So the concentration of the revenue is not there. It is widespread across multiple categories. As such, any economic impact on any specific category does not impact much on our...

- V.S.S. Mani:** So let us put it this way. If I have to answer your question whether the macroeconomic picture slowdown are growth prospects, I would say maybe. We would have probably grown much better, but having said that we do not get affected that fast.
- Raj Mohan:** My second question is could you give a breakup of EBITDA between your PC mobile and voice at least in percentage terms.
- V.S.S. Mani:** We do not actually, our customers buy JustDial. They do not buy products separate. They do not buy web separate voice or mobile. So basically it is all bundled into one single product. Hence we really do not get into that detailed calculation on EBITDA as per product and secondly as far as gross margins are concerned, obviously the gross margins are far superior on web and mobile product as compared to voice which has the cost to deliver.
- Raj Mohan:** And my last question is could you throw a perspective on the materiality of new products like Search Plus which currently you would say on phase wherein you are educating vendors, SMEs. What kind of materiality will it have in over the next 3 years as percentage of sales if you could.
- V.S.S. Mani:** Very hard to predict, but one thing I can clearly see is the adoption of the products is going to be very fast as we rollout and make it aware to people in their coming quarters. You would see that a large number of Indians now preferred doing many things online as compared to the traditional way. Hence this is a very good step in the right direction. This is not only going to empower our users to use internet to the hilt but it will also empower our SMEs to contribute to our income, contribute to our revenues. They are going to find it a very useful thing in increasing their sales as well as reducing the cost. So if all this goes in right direction, it is pretty obvious that a good chunk of the revenues are going to reflect from these transactions in the future, but very difficult to predict the number.
- Moderator:** Thank you. The next question is from the line of Niket Shah from Motilal Oswal. Please go ahead.
- Niket Shah:** Just wanted to know one question is that if you can share some numbers in terms of the online food delivery model or the get codes that you have kind of launched shop front, if you can share some numbers in terms of initial response that you are seeing just to get a better sense about how well this products have got responded in the market place?
- V.S.S. Mani:** Our focus is not so much on monetization as much it is on adoption of the product by users and hence we are being trying to encourage more and more businesses which could participate in this transaction model and of course later there will be an opportunity to monetize. If you look at successful companies even companies such as Alibaba, they created a market place. Initially they allowed people to sale wedge for free and then they figure out the way to monetize this. So now JustDial as a basic revenue model in place there is reasonable growth there. This we want to make it so addictive to our users that we want not to really focus on how many money we make, but on the usage front, the response is encouraging. For example on a weekend, the order food got as high as 1000 orders a day and things like a doctor's appointment has taken off

wonderfully well. We get about 240 to 250 doctors appointment taken on a daily basis without any publicity whatsoever. We have not even informed anybody yet about this. These are all services people have discovered while they search and they have taking that their own initiative to go online do it. Similarly with the booking table on a good weekend, it goes as high as 350 table reservations which should include on an average three-three people to a reservation. So things are very good. People have used their grocery services who literally love it because they say it is so very useful that they say stop calling their local kirana store anymore and so overall the response to the product from a customer service point of view, it is like really good and from adoption, people who have taken it up. They are just getting addicted to it. Now which is the time when will at the right time next quarter or probably by the end of this quarter we will kind of ramp up our communication as we have always said we will be employing evangelists to do that as well as we will do spend on marketing and promotion.

**Niket Shah:** Any particular figure that we have kind of locked-in in terms of marketing spend which will be more like one timer, anything that we have kind of internally crystallized for next year.

**V.S.S. Mani:** Not yet though, but we would definitely come to all of you at least a quarter in advance, but yes one time we have to spend a good amount of money, I would love to say that, good amount of money because the company is rich. We have enough bank money in the bank. So it is worth a spent to get that message across and also establish you a market leaderships. So it could be as high as 60-70 crores or 100 crores budget, we do not know. Whenever it is, we will inform the market well in advance. We will tell you also in which quarter it is likely to get hit.

**Niket Shah:** And the second question was if you look at in this particular quarter, your run rate of paid subscriber addition was 11,000 as compared to 15,000 and 17,000 in Q1 and Q2 respectively. Is that the entire hit coming just because of zero down payment contracts because I presume zero down payment contract was a very limited number as far as your overall friction free contract portfolio is concerned. Is that a right assumption that is it primarily only because of that zero down payment or something else?

**V.S.S. Mani:** Due to some extent, zero down payment contracts did add up in Q1 and Q2 especially Q2 to accelerate the number of signups. Now when we did it an analysis, we had enough time to analyze it and we found out that certain things were not working the right way the company wanted it. I am not blaming it on our customers, but it was also the casual approach taken by sales people. Then we realized that it is better to have some kind of commitment from the customers which is an upfront payment and we discontinued the zero down payment. Along with it around the same time we have done price increase also. So combination of two has reduced the number of contracts which got signed up in this quarter, but as you go forward you will see the growth coming back again.

**Niket Shah:** Sure and the final question in terms of price increase which you mentioned which segment and what kind of price increase you would have taken, I presume it is not across the board, it is for selective segments and is it for the existing guys also kind of the price for existing users also

increase because I presume you initially had this pricing engine mechanism which automatically throws your number and now this is some kind of manual intervention if I can put it that way.

**V.S.S. Mani:** Absolutely right Niket, but what we used to have in the pricing engine also, we used to have once in a while relook at the thing and we had opportunities scope for increase in prices. So this is one of those where the premium products, there is a bit of a price increase, but I do not think that has really affected the number of contracts to be honest.

**Niket Shah:** This is only in the premium segment or the non-premium as well?

**V.S.S. Mani:** On the non-premium also, we have been trying to sell higher value contracts to get actually the contracts to be certain of respectability comprehensiveness as well as they should have the new features that JustDial has introduced. So there is an effort on that direction, but then we are keeping a close watch. Overall, idea is to increase the pie, not to reduce the pie. So overall pie has to grow.

**Niket Shah:** Any price increase in case if you can just, is it across the board, across categories and if you can just give a range of price increase that you would have taken, rough cut.

**V.S.S. Mani:** Rough cut I do not think, it is across board, across all categories, but there could be certain categories where we would have given a price cut also where we realized that the numbers of signups are not there. Overall impact I would not be able to tell you right away, but I can probably tell you in the quarter or two down the line the impact of the price. We are not indicating on the average ticket size also.

**Moderator:** Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

**Dheeresh Pathak:** Mani, actually we have seen a mixed single digit sequential decline in usage numbers for the first time in the last 2 quarters. It is something seasonal and could you just explain that?

**V.S.S. Mani:** It is seasonal. If you see last year also, we have seen a decline in the usage because the festive season, there are less number of what you call working days and it has an impact of the overall usage because still many users use from work place and stuff like that, but we are not so worried about it because we also keep a track on what we call the number of lead generated. The quality of lead and the number of leads generated have continued to grow. So that has grown by during the same sequential quarter by 5% and also the trend in January is looking good. So. But having said that, I will tell you two reasons which contributed to this little extra from our end. One was there was a design change in our website where we used to carry this related keyword for every search results. For a short period of time in the previous quarter, we had done a change such that the related keywords were not showing. It was an experiment to get a better UI and better look and feel to the site. Then we realized that that was showing a dip in the number of searches and the usage. So we then changed it and I think the effect took place around the second week of December. So that affects your web search.

- Dheeresh Pathak:** In the numbers that we have, we are seeing that this is the first time we have seen a sequential decline. We did not see that in FY13 3Q as well versus FY13 2Q. Is that right?
- V.S.S. Mani:** -2% it was in FY13 during the same period for web.
- Dheeresh Pathak:** In total usage?
- V.S.S. Mani:** Total usage, this is the first time, but if we compare web-to-web and one more request that I have is I would request all of you to now keep track on searches as compared to visits because there are certain general issues about mobile usage where we are not able to keep track on, on a visit on visit basis. So we request all of you to keep track on searches basis, number of searches. If you look at the number of searches, Ram do you have the absolute numbers please for the searches for sequentially.
- Dheeresh Pathak:** Sequential decline in FY13 as well as in FY14 that we are seeing on project, but what my concern here is that is it a way for us to know that JustDial as a platform whether it is internet, mobile or whether it is voice, we are not losing traffic to any other website or whether it is Google or whether it is some vertical focused website. Is that a way that you can tell us.
- V.S.S. Mani:** So one easy way to boost up traffic is to spend a lot more on digital advertising and in fact most internet properties today they spent a lot more on digital advertising. Compared to that, JustDial spends insignificant amount of money. We are now going to step up a bit more on the digital advertising and you would see that there is a lot more inorganic traffic attracted and that should also boost up, but in any case in the next quarter you should see a far better traffic scenario as compared to this and my CTO tells me that there were certain BOT related attacks and all those things. So he had blocked certain IP addresses and all that. So those are all fringe reasons for some traffic on the website getting affected.
- Dheeresh Pathak:** Internally if you compare yourself in terms of how your traffic is comparing versus your competition, is that something that you tried internally?
- V.S.S. Mani:** It is very difficult to define our competitors, who are our competitors and lot of them let us say on the internet space are spending hell lot of money on marketing and some of which we do not understand how it is justified when there is no translation into acquisition of customers or other aspects. So we do not want to really get into that discussions. We are a quite a smart company that way. In fact our monetization is still a catch-up game with our traffic. So we are not overly worried about it, but yes we are going to ensure that we get far more quality in traffic.
- Dheeresh Pathak:** Last question in terms of less incremental addition to paid campaign you said, you know that zero down payment impacted it. So just to understand better if somebody was earlier subscribing for a zero down payment package, then after the end of a month or 2 months or 3 months, are we not paying up or what was happening?

**V.S.S. Mani:** No, there were lots of cases where we realized that the very signup itself was suspect. So when we went back to the customer, he was like little unaware about payments and implications and all that because we do this verification of every contract and that is where we realized and we took it up the sales team. So it was done in a very causal manner. In some other cases where the executive concern has definitely explained very well to the customer. For some reason because they are all SMPs, they actually use an account which they do not operate. So we learnt a lot from that. So these are not really high quality contracts.

**Moderator:** Thank you. The next question is from the line of Rajiv Sharma from HSBC. Please go ahead.

**Rajiv Sharma:** Couple of book-keeping questions. If you can help me with the employee mix this quarter in terms of call center, feet-on-street and what we have and what we added. Second is how much of your current traffic is coming from Google and what is your payout there. The other question would be any color on your international expansion plan if any over the next couple of quarters and one last question is which categories are seeing a lot of traffic for you and are very key for you and how much percentage of your revenues would be coming from the top 3, 4 categories.

**V.S.S. Mani:** So to first answer your number of employees, this quarter we increased our salesforce by boost it by about another 600 people, majorly people feet-on-street and that will as you know the sales when you pay, recruit sales people that is gestation period and then they start breaking even and they start performing. So that also does the addition of sales people and also had an impact on the overall margins for this quarter apart from the additional spend on advertising. So major addition was on the sales people and in this current quarter that we are talking about, we have added little bit more software engineers as our entire technology has moved to Bangalore now and there we are like adding at least another 50-60 software engineers, but that will get to see, it will reflect in the next quarter. Apart from that, there have been few additions here and there on customer's support to increase the data strength and all that content creation and all that. So overall that is the scenario from 10% increase in the total number of employees and as far as traffic is concerned, on the web of course there is Reliance on search engines and as you know Google as the line share of the search engine market where we have started ranking better on search engine optimization which is free traffic. Yes, a lot of those traffic comes through Google and we also do spend on advertising on Google, but which has been pretty much constant for the last three years. The spend is about Rs. 50 lakh per month. We made that type of spend if required and we get about 8000 downloads for our app on organic basis without spending money on it which is a very good sign and that is got to do with the traffic and your international expansion there is no such immediate plans. When we plan for it, we will let you know in advance and the category is we are quite across the board we make money. So there is no category which gives us more than 2% of the revenue.

**Rajiv Sharma:** Mani, those answers are very helpful, thanks a lot, but couple of just structural questions and strategic questions. Out of this 10 million listings you have, what in your view is something which you could tap in terms of revenue in the next 3 years or 2 years at least and in the long term. Second I thought that given this whole local search was new offering or it is an innovation in this whole advertising business, you will take a strategy where you will lower pricing or keep



the pricing steady and drive penetration, but there seems to be a change. So what is driving this and second what will be your share in the local search engine market if you could just help us with that number and what is the size of the local search engine business in India?

**V.S.S. Mani:**

Today pretty much local search engine is I would say will end with JustDial as there is no other company which even shares Mindshare when it comes to users and of course Google can double as the search engine and local search engine. So I am not getting into that debate, but overall if you look at JustDial versus any other such possible likely comparable not really in the horizontal space. So now on the pricing thing, please we did price increase on certain premium products which we realized that it was possible to get that renewals despite those price increase and its wise move. Overall we also have lot of price discrimination when there are certain categories and keywords, we keep relooking at actually reduce the price at entry level and allowing more and more vendors to participate. So there is no such overenthusiasm to increase the price and get the best. Our focus on increasing the pie and having the large percentage of our free listings becomes our paid customers. The next 3 to 4 years' time I expect the number can as high as 4%-5% because it looks potential. One thing we have realized in the last few quarters is that this potential is so huge, but we need to deploy a lot more feet-on-street to capitalize on that. So that initiative has taken now as you saw the last quarter we increased our salesforce by 600 people. In this quarter again you will see another incremental 600 if not more and the quarter next also, you will see another 600. So the right way forward is actually to have a large number of people represent JustDial as feet-on-street and they will work as evangelists cum a content creator cum getting the required revenue for the company and that is going to be the way forward and that will probably help us achieve converting higher percentage of free listers. For the last about 3 or 4 quarters, I think our sales has been pretty much constant. We have not much spent except for few hundred increase in salesforce which was not the case in the previous years where we have constantly increased our salesforce. So we are stepping up that activity now.

**Rajiv Sharma:**

And lastly do you believe that local search itself may not be enough for you to monetize the entire traffic you get and it is important to build additional revenues to you and finally venture into e-commerce which you are doing, but something more over the next 4 months, 4 quarters, 6 quarters?

**V.S.S. Mani:**

I do not think we are worried about growth for the next 3 years even if we do not do anything for that matter. Honestly local search by itself can take care of this growth way about 25%, but e-commerce or whatever we are doing at Search Plus initiatives is as you know that we are a company which we focus on our users and we go wherever the user wants to go. So actually we are a step ahead in the curve and we know that our users are now very soon are going to want to do several things that they have been doing the traditional way of calling up or driving their car up to a place instead of that they would want to do it online. So that is why you see these things like even doctor's appointment or ordering grocery and stuff like that we have put it online and you can buy at least 47,000 different brands, models and products today online and just that. Now here we know that of course this is going to be a super success when you get the vendors enthusiastically participate and give the best prices. When people compare the JustDial prices with other online market places or online e-commerce site, they would say, "Oh, wow! JustDial

is even better because I get better price, I get same day delivery and things like that.” So that is the thing. So these things kind of initiatives will be on to get more and more user engagement will translate into revenues, but overall for the growth of the company on the revenue front, I do not have to think, we have to really bank on these for the next at least 2-3 years’ time. Local search is still at very early stage. People are not die hard. Local search users as it is abroad, they will learn it now as they use more of the mobile app from JustDial. We have seen that people who download app usually use JustDial more number of times in a year as compared to when they use just the voice or just the web products. So as people get more and more evolved and you will see that the usage of JustDial going much higher and the monetization.

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

**Jaisinh:** So basically when we spoke about Search Plus, just wanted to check as you said that the customers have adopted this very well, the response is very good. If you could just give us some aspect on in terms of the SMEs in key categories like restaurants, order food or doctors, how many have we managed to enroll like I think last quarter the number was close to 10,000 restaurants and some key categories where we have started last quarter if we can get that flavor.

**V.S.S. Mani:** Overall about 85,000 establishments have signed up for Search Plus initiatives and I think restaurants would be about 12,500 and grocery stores will be about 20,000, medical stores will be almost equal numbers and doctors also growing day by day. So Jay Singh, the strategy here is not really have them pay up something, lot of them are like participating and they would pay up in the due course of time, but the beauty is that when they take part in this, the initial apprehension from our side was like we have a great technology, user experiences, wow when they go in fact and they are able to place the order, will the vendors respond on time and do it and that where we are really happy about the fact that the response from the vendors has been fantastic and in certain cases far better than even the traditional way of placing the order and getting the products. So that is a good sign and vendors have also got back to us by saying it is something that we can build in for their own business on regular basis. So we are pretty happy with the results. You can go, you can check it yourself, probably should go online, place order.

**Jaisinh:** I have used Search Plus a couple of times and very happy with that. In terms of shop front, if you could give me like how much participation is around shop front and also just one question in terms of shop front, whatever little revenue we get how do we recognize it because is it in terms of the ticket size of the product sold at the market place or is it in terms of any commission which we get?

**V.S.S. Mani:** So if you look at the shop front today, now if you look at individual listings like go-to-one listing like a Croma or Vijay sales or a XYZ Sony or Mony Electronics or XYZ shop. So we have created those shops. So those shops if you see, they are no less than any other e-commerce shops, any kind of an online electronic stores. So you can sort by for example if you want to buy mobile phone, you can sort by pricing, you can sort by megapixel of camera, you can sort by operating system, obviously by brand, things like that and now JustDial, you can do it the same for cameras, you can do for televisions. So there are certain robust features that we have introduced

in their listings. Now we expect many of these listings which are not paying us today to convert themselves to become paying shops first of all. I listed in JustDial which is going to be a substantial revenue for us in the coming quarters because we have seen that initial reaction from them and they would not like that shop to go away. So that is the big revenue item for us. Our strategy is more like how Alibaba makes money as combination of rentals percentage on the transaction. So initially I will imagine that our revenues will be majorly coming out of the shop front rentals which means these listings will start paying up today which they were not paying us earlier for us and then slowly as we increase the number of transactions, we prove the concept to them. They will start paying us commissions on the transactions.

**Jaisinh:** Just one more question was we spoke about the one time marketing spend and whatever the range of 60-100 crores whenever it happens. That will happen in FY15, not in the current quarter surely right.

**V.S.S. Mani:** FY15 will tell you at least a quarter in advance.

**Jaisinh:** Great and like you said we will add 600 more employees probably on the salesforce this quarter. So overall we can probably look at 9,000 plus sort of employee strength for JustDial at the year end?

**V.S.S. Mani:** We are also trying to automate as much as possible. Maybe we will increase the salesforce and reduce the other, but that is the way we are looking at this right now. So I would say at least the number of salesforce headcount which is currently at 4,000, that goal is to get to 6,000 because that is the need because India is a very vast country. We need to have decent presence in Tier-2, Tier-3 cities. Even in existing cities as you know products like ShopFront and other applications that we have built, we need to have one-to-one interaction, show Intel with our prospective customers which that too help us convert more number of this 10 million free listings to pay in customers.

**Moderator:** Thank you. The next question is from the line of Srinivas Seshadri from CIMB. Please go ahead.

**Srinivas Seshadri:** Sir just couple of questions on the search and usage data. If I just look at revenue per search or usage metrics, the revenue per usage appears to be fairly constant over the last 4-5 years, but I guess over the past year or two, there has been a big divergence in terms of the growth rate in the number of searches versus usage and revenues apparently per search appeared to be bit on the decline. So just wanted to understand like in the transition period where you are moving to more of internal based or mobile internet usage where there are multiple search or usage. Is there any kind of a lag in the pricing engine or something intentional you doing because of which the revenues are in kind of keeping pace on a per search basis?

**V.S.S. Mani:** Actually this quarter, the revenue per search has gone up a bit because of the certain blip in the overall usage, but you will see that in the next quarter yes, this question will be more pertinent. The next quarter the searches will catch up and the revenue for search may be little less than 10.37 as it is, but I would say that look at the overall pie and look at the business differently

because at times it is possible that you do certain inorganic activity and that particular quarter you may see an increase or decrease in revenue per search, but overall this is something that we present because that is what analysts like, but honestly speaking we look at overall the number of paying customers in the average ticket size which takes care of our overall monetization.

**Srinivas Seshadri:** Sure sir. From a 2-3 year perspective, should we be building in kind of steady monetization of the revenue per search I understand that these things do not move in tandem that well on a quarterly basis, but from a longer term perspective, do you think one should kind of expect the revenue, monetization should be fairly constant on a per search basis or do you think the traffic would continue to grow faster than the revenue line basically?

**V.S.S. Mani:** So it is actually a bit constant only if you look at it that way. It has been hovering around the Rs. 10, sometimes less, sometimes it is high. So I do not see reason for that to go down dramatically as because our....

**Srinivas Seshadri:** Sorry my question was on the revenue per search and not per usage because the context to that is obviously that as you go more internet and you are doing multiple searches per usage, etc., so the revenue per search appears to be falling off a bit. I agree with you that the revenue per usage is around Rs. 10 mark, but per search appears to be.....

**V.S.S. Mani:** That is because as you said if you use applications, the mobile apps and stuff like that, there is always possible that we are using JustDial for number of things, not necessarily all of those things are monetized. For example if you download app, I would tell you that most obvious thing that you would use it frequently for is movie search and you may do it almost once a week or you may do for certain other things. So here you may find the revenue per search slightly wearing, but then I would still imagine that the monetization will catch up very well and again compared to last quarter, the revenue per search has done better this quarter. Last quarter revenue per usage to this quarter is better.

**Srinivas Seshadri:** And the second observation was on if you look at the voice numbers and isolation, there has been a fairly sharp deceleration. So are you pretty happy with those numbers. If you look at it in the context of the migration to more of mobile internet based or internet based usage or do you think is there any issue in terms of this particular medium basically?

**V.S.S. Mani:** Actually there is a certain set of users who are die-hard voice users who are intensive voice users have all moved on to the app and they become intensive, even more intensive users of JustDial on their mobile applications. So it is difficult for you to get back these people to use a voice product. Despite losing these heavy duty users if you are still being able to continue to have that high search volumes for voice is quite credible. Having said that, I would say that in the last couple of years, we did spend a lot on getting traffic for voice and we used to have a combination of mainstream advertising and also certain BTL activities. Now some of them are regulated now. So which we are not able to do anymore. So that contribution which is to boost our traffic through text messaging, text campaigns and stuff like that that has stopped completely. So we are re-looking at giving it a fresh piece of life to voice search and you may see a spike again, but

India is a very vast country as you said there is still a lot of users who can get on using the voice search.

**Srinivas Seshadri:** And Mr. Mani if you can give some statistics, I understand that the revenue monetization is largely from the top you can say metro cities or the top 10-12 cities. Could you give some statistics in terms of how divergent it is from a user perspective versus the monetization so that we can kind of follow on in terms of how the revenues also probably going to pan out over the next 2-3 years?

**V.S.S. Mani:** In fact it is very interesting that the Tier-2, Tier-3 cities, the traffic volumes have gone up and going dramatically. At the same time, the monetization is also coming out clearly. In fact Ram would be able to publish at the percentage contribution of Tier-2, Tier-3 cities.

**Ramkumar Krishnamachari:** That is going up to 8% right now from 7% what it was last year. It is a smaller base, higher rate of growth, but their contribution is steadily going up.

**Srinivas Seshadri:** Here you are counting all the cities except the top 10 or like how do you measure that?

**V.S.S. Mani:** This will be predominantly excluding the top 10.

**Srinivas Seshadri:** And how does compare with the traffic like would you have similar numbers to compare on the traffic share versus the revenue share?

**V.S.S. Mani:** Right now we do not have the data. Anyway we can keep that ready for you for Tier-2, Tier-3 cities the traffic. Next quarter we should be able to give you that.

**Srinivas Seshadri:** That will certainly help us understand incremental growth dynamics.

**Moderator:** Thank you. The next question is from the line of Jay Gandhi from Antique Stock Broking. Please go ahead.

**Jay Gandhi:** Just wanted to understand this pricing mechanism, what is this function of. There might be some 7-8 variables that you might have and I am presuming some one-off it would be locations or the amount of traction you get in a particular category. I just wanted to understand is rating a part of is it a function, is it a variable of the pricing?

**V.S.S. Mani:** No, the pricing only depends on the volume of searches for a keyword, basically the traffic for those keywords and the demand for those keywords. So for example if you have a particular category called dentist in a particular locality in Mumbai. So how many searches are done on web, on voice, on mobile. Accordingly comparatively this year versus last year, the growth is about 33%, 40% whatever the growth is. The pricing engine takes care of that growth in traffic as well as how many dentists are actually keen to be part of the paying campaigns. Based on these two combinations, the pricing engine decides the price. So it could be a possible that a

dentist in the particular ZIP code in Mumbai could be paying much more as compared to one in Patna.

**Jay Gandhi:** Also within like for example you said a dentist or any other category for that matter. I just wanted to understand if the revenue model shifts more to ratings, would there be more customer stickiness?

**V.S.S. Mani:** I did not get you sir. You meant to say some people with higher ratings, user ratings, you chart them. I think they both work independently because we are user ratings because our users want it. We have what you call a premium listing, paying listing which is at the interest of the company which means how to monetization. So these two are different things. You cannot mix them both. So people cannot buy ratings. Your rating is good because your customers think it is good. So it is possible that there are businesses who are paying money and not necessarily they are the best ratings. At the same time, there can be businesses who are not paying as money, but they rated very well by their customers.

**Moderator:** Thank you. The next question is from the line of Jignesh Kamani from Nirmal Bang. Please go ahead.

**Jignesh Kamani:** Sir can you throw some light on the execution and success on the Search Plus, if you take about when you have close to (+1000) you can say ordered home delivery during the weekend. So how many orders executed and how is the failure rate?

**V.S.S. Mani:** How many orders get executed on Search Plus so almost (+90%), almost all of it. The cancellation rates are 110%.

**Jignesh Kamani:** Any reason behind the cancellation?

**V.S.S. Mani:** It is very insignificant, 4%-5%. 4%-5% it happens because at times there are problems where the restaurants say I do not have a delivery boy, they don't have a particular thing that he ordered in stock. So those kind of things. So sometimes user changes mind, he just, I want to cancel my orders.

**Jignesh Kamani:** But is there any contingent liability on any of the part either in customer or in terms of a vendor?

**V.S.S. Mani:** Not as far as we are concerned, there is nothing.

**Jignesh Kamani:** For example if an order is placed to JustDial, but ultimately a restaurant owner does not honor that commitment. It makes dilute our brand.

**V.S.S. Mani:** Actually speaking, the order is placed to the restaurant, not to JustDial. JustDial is just facilitating, it has a platform through which you can place order to the same restaurant. So every time you place an order, you get a confirmation by text message. In that, you will get the phone numbers of that particular restaurant to do follow-up of the order just in case there is a delay.

- Jignesh Kamani:** Understood it.
- V.S.S. Mani:** So that is very clearly established with the user.
- Jignesh Kamani:** As of now, it is only 4%-5% failure rate.
- V.S.S. Mani:** Yes, I think it will only get better times to come actually.
- Moderator:** Thank you. The next question is from the line of Pulkit Singhal from Tree Line Investment Management. Please go ahead.
- Pulkit Singhal:** Just on the home front idea, it is a pretty good idea and I am just trying to understand it is the way you could enable a particular SME to be able to deliver his products nationally in the sense that I am assuming right now you are not getting into any logistic aspect of it at all but do you see that happening in the future where you sort of create warehouses or enable a local SME say in Bangalore to be able to deliver in Delhi for instance or some other remote area.
- V.S.S. Mani:** So the way we look at it is on a branded products play especially in the large cities, the preference of both the buyer and the vendor is to stick to the city that he operates. On a non-branded space, supposing I have my own clothing line. I supply certain stuff and I do not mind customers coming from different parts of the country. So that is Phase-II of JD shop front which will get launched in the next quarter and you would see that anybody and everybody can set a shop and deliver their products anywhere. We personally feel that there are enough and good logistic companies in place. We can always recommend it to the vendors, but we would not want to get into the logistic side of the business. We will only guide them to the best players in this space who can actually deliver their goods and even do cash on delivery.
- Pulkit Singhal:** But in the sense a few deal with any logistics front, you will be able to get a better deal for all the SMEs and these SMEs would be further sticky to your business in that sense and they would like to deal with..
- V.S.S. Mani:** It is a very good idea. I think we can consider that. We can do a bulk kind of negotiation with these logistic companies. I think it is a very good idea sir. Thank you.
- Pulkit Singhal:** And regarding the penetration rate, I have seen currently at 2.3%-2.4%. What I am noticing is that you are expanding the number of listings and accordingly the number of paid campaigns are going up. Is it just because of geographical expansion or expansion of listings or are you really penetrating amongst the existing user base also?
- V.S.S. Mani:** In fact that is a very interesting question and I must confess that in the last quarter or rather couple of quarters back, we kind of got in the new person to get involved in this whole listing process in the existing cities as well as new centers and we found out that even in the existing markets, there are so many more businesses which are yet to be listed in JustDial. So it is a good thing and bad thing. Good thing that because future looks very good. It is a bad thing because we

are sad because in the past why did not we do it so well. So the new listings are coming from all over from the existing markets as well as new cities where we are absolutely new cities that we are tapping, new data we are getting in.

**Pulkit Singhal:** Right and the churn remains at around 40%, is it coming down?

**V.S.S. Mani:** That is pretty much constant actually.

**Pulkit Singhal:** And lastly regarding JD Ambassador what is the kind of target that you give them say for a month. How do you evaluate them over quarter? Do you give them some, you should get so many amount of paid campaigns every month or what is the target?

**V.S.S. Mani:** So it is a completely there is an application. It is an app that kind of monitors their performance. So the monitoring of the performance on various parameters first of all as an ambassador as you are supposed to go and explain the usage of JustDial, did you make the prospective vendor, customer actually download the JD app, JustDial app it will get information about his business like his contact details, his landline numbers, mobile numbers, e-mail ids and all, shop pictures and other pictures and working hours and stuff like that. So based on these various contribution to the fields, they have rewarded and monitored. Apart from this, they are expected to do N number of listings a day and they are expected to get so much of convergence and we think that yes, there is scope for improvement there, but we are also seeing that about 6 months down the line these people are able to get 3x the amount that we spent on them which is a good sign because adds up to the bottom-line. That is where the confidence is to build this ramp-up this JD ambassador program which is feet-on-street to 3x or what it is today.

**Pulkit Singhal:** If I were to understand the feet-on-street executives that you have in the JD ambassador. There are two different categories and so feet-on-street may grow very marginally going ahead, but you will expand the JD Ambassador.

**V.S.S. Mani:** So the ambassadors are also feet-on-street just that we kept a different name for it because the intent was too actually both enriched the content and also become evangelists for JD products including list the business for free and also get sponsored listings. So that program is successful and hence we want to look at that as also a primary source of revenue also. So the feet-on-street right now, both are feet-on-street. The one that is attached to the telesales does only fixed appointments, pre-appointed calls and the ambassadors, evangelists, they actually go combing territories from one business to another and tried to get as many listings and enriching the content as well as getting these businesses pay up for it to become a premium listing.

**Moderator:** Thank you. Ladies and gentlemen due to time constraints, only one last question can be taken. The last question will be from the line of Saurabh Kumar from JP Morgan. Please go ahead.

**Saurabh Kumar:** Just one final data point. Of the memberships you have, the platinum, diamond, what percentage your customers will be platinum and diamond?



**Ramkumar Krishnamachari:** It will be about 22% of paid campaigns.

**V.S.S. Mani:** Premium, 22% of the customers.

**Saubrah Kumar:** Most of these will be annual right and how many of the customers will be monthly versus annual paying?

**V.S.S. Mani:** All of them are annual contracts and they would be paying on a monthly basis. I think 50% would be paying monthly and 50% would be upfront also.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now hand the floor back to Gaurav Malhotra. Over to you.

**Gaurav Malhotra:** Thank you everyone. We thank the JustDial management for taking time for the call. This concludes the call. Thanks.

**V.S.S. Mani:** Thank you Gaurav.

**Moderator:** Thank you. On behalf of Citigroup Global markets that concludes this conference. Thank you for joining us and you may now disconnect your lines.