



Nomura Financial Advisory & Sec (I) Pvt Ltd.

“Just Dial Limited (JUST IN) Q3FY20 Earnings call”

January 21st, 2020



SPEAKERS:

Management, Just Dial Limited

Moderator:

Good day, ladies and gentlemen. I'm Harpreet Kapoor [ph], the moderator of this session. Thank you for standing by and welcome to the Just Dial Limited Q3 FY20 earnings call. For the duration of the presentation, all participants' lines will be in listen-only mode. We will open the floor for Q&A post the presentation. I would like to now hand over the proceedings to Mr. Rishit Parikh. Thank you and over to you.

Rishit Parikh:

Thank you. On behalf of Nomura, I would now like to welcome you all for Just Dial's Q3 FY20 earnings call. We have, with us, the management of Just Dial, Mr. VSS Mani, the CEO and Founder of Just Dial, and also the CFO of the company, Mr. Abhishek Bansal. Without further delay, I would now like to hand over the call to the management. Over to you, guys.

Abhishek Bansal:

Hi, everyone. Welcome to Just Dial's earnings call for third quarter of fiscal '20. We'll go through key financial and operational highlights for the quarter. Operating revenue stood at Rs.235.4 crores, which was a 3.8% year-on-year growth, operating EBITDA stood at Rs.67.1 crores for the quarter, witnessing

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21.5% y-o-y growth. Adjusting for ESOP expenses, adjusted operating EBITDA margin stood at about 30.3% for the quarter. As far as impact of Ind AS 116 accounting for leases is concerned, which became effective 1st April 2019, against Rs.6.6 crores of quarterly rental expense in 3Q FY20, we have booked depreciation of about Rs.5.4 crores and another Rs.2.5 crores of interest cost on lease liability. On nine-month basis, PBT was lower by about Rs.2.7 crores due to Ind AS 116 accounting versus erstwhile accounting norms. Operating PBT stood at Rs.51.7 crores for the quarter, growing 11% year-on-year. Operating PBT margin stood at about 22%. Other income for the quarter stood at Rs.26.4 crores, which was in line with normalized portfolio yield of 7%, 7.5%. Net profit for the quarter stood at about Rs.62 crores, growing 8.2% year-on-year. Cash and investments stood at Rs. 1,536 crores as on 31st December, 2019. Coming to operational highlight, mobile traffic, which now forms over 81% of overall traffic, grew 21.4% year-on-year. Mobile unique users now stand at about 128 million. Advertising spend for the quarter stood at approximately Rs.15 crores. Overall, including all platforms, despite a high base, we grew about 17% year-on-year to 157 million unique users. On our database, we added another almost 1 million listings to our database, and we now have about 28.6 million active listings, which was up about 15% year-on-year. More than half of the database stands geocoded and there are about 78 million-plus images in our database. Paid campaigns at the end of the quarter stood at about 535,000, which was a 10.2% year-on-year increase. Total sales team strength now stands at about 9,900 employees, out of which 4,170 are in cold calling feet-on-street team. Overall, while top line growth was lower than expected for the quarter, which is partly a reflection of macro headwinds being witnessed over last few quarters, especially at SMEs level, we have continued to maintain our focus on profitability in the current environment. Efforts are underway to ensure we keep momentum up in signing up more customers. On the product side, B2B related implementations are progressing well. You should be able to search for B2B products, submit custom request for quotations on our platforms in another few weeks from now. We shall now open the floor for any questions.

Moderator:

Thank you so much, sir. With this, we will open the floor for Q&A interactive session. So participants, if you wish to ask a question, you may please press zero and then one on your telephone keypad and wait for your line to be unmuted. I'll repeat participants to ask a question, you may please press zero and then one. We have Pranav Kshatriya from Edelweiss. Your line is unmuted, please go ahead.

Pranav Kshatriya:

Hi, thanks for the opportunity. So my first question is regarding your outlook on the business. We have seen some deceleration or rather, you know, deferred revenue growth going in the negative territory. So how do you see the business? Any specific challenges which you can tell us? Secondly, can you give some idea that, you know, why the realization dipped so sharply in this quarter? And how should we, you know, see this going forward? These are my two questions. Thank you.

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Abhishek Bansal:

Hi. Pranav, on the first question on outlook, definitely, the macro environment seems to be quite challenging, especially at SMEs level. There tends to be feedback that our sales team gets that SMEs would say that they are willing to probably wait for taking up the subscription or pushing it out by, say, another two, three months, which is what has played out over last two, three quarters and is reflected in P&L at this point of time. Having said that, there are internal efficiencies that we could drive, we could improve productivity, which is what we are working on at this point of time. Some of those particular initiatives seem to be bearing fruit. So far, this particular quarter has started on a pretty healthy note. Hopefully, if that sustains, we should be able to counter even the macro headwinds that we are facing. On realizations, there are two impacts that are resulting in this particular decline. First, the mix change itself, so tier two, tier three cities at this point of time contribute about 31% to our revenues and 51% by about count of campaigns. Since the share of tier two, tier three cities is growing where my realizations are even less than half of what I have in tier one, that tends to have an impact. Secondly, even in tier one, in the current environment, obviously, the high-paying renewal customers, those are, at this point of time, getting replaced with new customer acquisitions which come at lower prices because, typically, customers start with non-premium listings. So, those two combined factors are what resulting into realization decline.

Pranav Kshatriya:

If I may, can I follow up on your answer? You know, we saw a decline in the overall inquiries. So, is there, you know, something to read into that or, you know, what could be the reason because we are not really seeing data volume decline happen. So, any color on that will be helpful.

Abhishek Bansal:

Okay. So the decline that you are referring to, I presume, is the total unique users, right, 157 million?

Pranav Kshatriya:

Yes. Correct, correct.

Abhishek Bansal:

Yes. So 157 million, first of all, that is not the inquiries number, that is primarily the total unique users that visited our platform during the quarter. There, firstly, we should ideally be focusing on the mobile unique users, which forms now 81%, 82% of the overall traffic. The rest two platforms, the voice platform and the desktop platform, they are, in any case, either stagnant or in a declining phase. Even on the mobile front, the 21% growth, yes, that has come off from, say, 30%-plus y-o-y levels that we were witnessing. Again, sequentially, third quarter tends to be a weaker quarter because of the festive weeks that come in. During those weeks, we typically have lower traffic. This particular quarter, we did not see that pickup post the festive weeks partly due to Internet shutdowns that took place in some parts of the country. Secondly, if you see, my ad spends also were lower this quarter. So against a Rs.19 crore run rate, we spent about Rs.15 crores this quarter. And there what we have done is, the digital ad spends we have tried to focus more on our monetizable categories. So, categories where SMEs pay us significant amounts, those categories ads have been optimized for. So, in fact, that would have resulted in better quantum of inquiries going to SMEs. So, on an absolute number basis, even if we lose certain traffic, which is not really benefiting my SMEs, that does not matter much.

- Pranav Kshatriya:** That is helpful. Thank you very much.
- Abhishek Bansal:** Thank you.
- Moderator:** Thanks for your question. Next, we have Vijit Jain from Citigroup. Your line is unmuted.
- Vijit Jain:** Yeah, hi. So just a couple of questions. One, you said that the revenue share in the campaign share of tier two, tier three is around 31% and 51%, respectively. Now, if I do rough numbers around it, I get realizations in tier one cities probably down 5% QoQ and tier two, tier three cities broadly flat. Is that a correct way of assessing this? And second question is, would you share the -- how you basically doing in tier one cities when it comes to, you know, campaigns and realizations in general? What's your sense on where that is headed?
- Abhishek Bansal:** See, on [Audio Distortion] for realizations in tier one versus tier two, tier three. So tier one sequentially would have dropped about 3.5% to 4% or so. And tier two, tier three would have been about 1% sequential drop. Coming to your question on how we are doing in tier one, definitely, tier one currently is impacted in terms of volumes as well as realization. However, there are certain assessments that we have done wherein we have realized that some of our particular branches, they are still able to grow well in their tier one cities because of signing up customers in more affordable payment plans. We are trying to implement the same across other branches as well. While we have been at it for last few months, we realized that we need to tweak our incentive structure. At this point of time, the incentives are aligned with the amount of money collected by a particular salesperson. So, we are trying to make monthly payment plans as well as annual payment plans at par with each other in terms of incentive structure. That should ideally result into better quality selling and should ideally result into more value building. So what happens is if you try to get the customer to pay upfront, you end up giving a discount or whatever which hurts realizations. Whereas if you try to sell on a monthly payment plan, the realizations tend to be better and the productivity also can be higher in such particular scenario. So those are some of the changes that we have implemented this particular month. So far, they seem to be yielding good results. Hopefully, if we are able to sustain that, things should be back on track in few months.
- Vijit Jain:** Got it. And just a little bit of data question on that. So, I think in the last quarter, you had mentioned your campaign share in tier two, three was around 50% and now you said 51%. So is that, you know, 1% move QoQ or will that be a little smaller than that?
- Abhishek Bansal:** No, it will be almost 1%, 110 basis points quarter-on-quarter increase in share.
- Vijit Jain:** Great. That helps a lot. Thank you. And so my final question is on the traffic side, you said that, you know, partly festive season, partly the traffic shutdown - - Internet shutdowns across India impacted unique visitors that you saw. So far in this quarter, are you seeing -- do you see the traffic back now that, you know,

most of that Internet shutdown is behind us? Is the traffic -- yeah, sorry, go ahead.

Abhishek Bansal:

So, as I said, there were two three factors that impacted. Yes, the impact of any Internet shutdowns and festive weeks, that is now behind us. However, in our particular digital ad spends we are trying to ensure that we get optimal value for money in terms of inquiries for our particular advertisers. So it is not right to, actually, see just on a headline basis, whether that number is 157 million or whatever, yes, we are targeting to ensure there should be reasonable growth in traffic, but our ad spends would be aligned towards more of monetizable categories.

Vijit Jain:

I see. Okay, great. Yeah, that helps. Thank you so much.

Abhishek Bansal:

Thank you.

Moderator:

Thanks for your question. Next we have Shaleen Kumar from UBS. Your line is unmuted, please go ahead.

Shaleen Kumar:

Yeah. Hi, Abhishek. Thanks for the opportunity. Abhishek, two questions. So I missed a bit of your comment about when you've mentioned that during something on a productivity which helps -- which is basically helping you in this quarter. So are you talking about the cost or are you talking about on the growth front, revenue front?

Abhishek Bansal:

No, I'm talking about the revenue front, in terms of how much per person's sales productivity.

Shaleen Kumar:

Okay. Can you give a bit -- since I missed your initial remark on that, so can you a bit elaborate on that, like, how are you --

Abhishek Bansal:

So, basically what I had mentioned was, that we have been trying to analyze sales productivity over the last few quarters or even years, be it in terms of revenue per sales employee or in terms of campaigns per sales employee, that has not really improved for us. And we realized that it is a key metric that needs to improve for us to have overall revenue growth. Now, within that also when we do detailed deep dive in terms of how each of our branches are doing, there are certain branches which have much higher productivity compared to other branches. And the reason there is that those particular branches sell more in monthly payment plans versus certain other branches where the component of upfront annual payments is much higher. So, what we are trying to do is that, if you collect a contract of Rs. 12,000, at this point of time, I pay you incentives on that complete Rs. 12,000 upfront, whereas what we are trying to implement is that if you collect Rs. 12,000 upfront or you collect Rs. 1,000 per month, you will get incentives spread over the period of 12 months itself. You will get incentives on Rs. 1,000 per month. What that does is, that takes away any bias a salesperson might have to sell in an upfront payment plan versus a monthly payment plan. And this, I think, should help us one, do quality selling; second, also signup more customers because salesperson would focus more on selling

monthly payment plan, which due to higher affordability results in more campaigns being signed by the same salesperson.

Shaleen Kumar:

Got you, got you. For sure, for sure. And just one more question. On the B2B platform, when you talk about it will be ready. So what can we expect when it is ready, broader metrics, if you can share, you know, listing of product or what exactly can we expect out of it?

Abhishek Bansal:

So, at the very beginning, as far as product is concerned, once we have these ongoing implementations live, you will be able to search for specific B2B products as well. At this point of time, you are able to search for a, say, ball bearing manufacturer or a lathe machine dealer. Once we have the B2B implementations live, you will be able to search for specific products and you will see vendors dealing in those particular products. Second, B2B users typically have custom requirements, which you will be able to submit via detailed request for quotes. So you will be able to specify that, okay, I need a ball bearing of this much diameter or whatever X, Y, Z specifications. So that will result in more qualified inquiries going to B2B customers that will result in users getting more suited vendors for their particular requirements. Once we have this particular implementation on the product side, we expect to improve our monetization as well. Because we will have those particular vendors upload their products, we will have their digital catalogs being displayed on our particular platform. And all those things should ideally help us monetize from much more B2B vendors.

Shaleen Kumar:

Right. Would it be possible to share possible listings of SME -- B2B SMEs will be available which will be offering the product?

Abhishek Bansal:

So, out of our total database of about 29 million listings, broadly, about 18% to 20% can be classified into listings which are B2B in nature. So, a portion of that would be pitched for digital catalogs, monetization, et cetera.

Shaleen Kumar:

Okay. All right, all right. Great. That's it from my side. Thank you so much.

Abhishek Bansal:

Thank you.

Moderator:

Thanks for your question. Before taking next question, I'll repeat if you wish to ask a question you may please press zero and then one. Next we have Vivekanand Subbaraman from AMBIT. Your line is unmuted.

Vivekanand Subbaraman:

Hi, thanks for the opportunity. Since you mentioned about the migration to monthly payment plans, would it be possible to help us understand how much your deferred revenue is currently comprised of longer duration packs than the monthly ones? Then second question is on the advertising spend of Rs.15.7 crores. Now, what portion of this is towards, you know, direct marketing versus TV advertising? And third question is on the traffic skew, you mentioned that 52%, 53% of your campaigns are from non top 11 markets. Would your traffic also skew in the same way as campaigns or is there a further skew towards the smaller towns? Thanks.

Abhishek Bansal:

So, in terms of deferred revenue, deferred revenue primarily arises from customers who pay us upfront. So, if you pay on a monthly basis, there would hardly be any deferred revenue that will get generated. If you're paying me on a monthly basis, what you pay me is what is consumed as revenue for that particular month. Only in upfront payment plans, there is a deferred revenue component that comes in. Coming to ad spends, out of about Rs.15 crore ad spends, about Rs.11.5 crores would have been towards the digital advertising. And there was no TV ad spend during the quarter, the rest is either multiplexes or any other avenues that we advertise on. Thirdly, on your question on share of non-top 11 cities, they contribute, yes, about 51% to campaigns. In terms of traffic, my sense is that they would be contributing broadly about 50% also. So, top 11 and non-top 11 in terms of traffic share would broadly be about 50-50, that is last that I recall.

Vivekanand Subbaraman:

Okay, got it. So just to understand the deferred revenue point. So, for instance, if I take the third quarter numbers, the Rs.235-odd crore number, around Rs.79 crores is the monthly run rate. So, that -- is it fair to assume that, you know, the Rs.371 crore deferred revenue would include this Rs.79 crores monthly collection and the remaining would be longer duration packages cash that is with us right now.

Abhishek Bansal:

No, So, this Rs.371 crores -- so, I'll give you an example, there is a customer who pays me Rs. 1,000 a month. So, in the first month when I get Rs. 1,000, I consume Rs. 1,000 as revenue. There is no deferred revenue generated. There is another customer who paid me Rs. 12,000, in the first month I consume Rs. 1,000 and Rs. 11,000 sits as deferred revenue. This deferred revenue will get consumed as revenue in coming quarters.

Vivekanand Subbaraman:

Okay. Okay, got it. Yeah. Thanks.

Abhishek Bansal:

Thank you.

Moderator:

Next we have Taha Siamwala from Piper Serica Advisors. Your line is unmated.

Taha Siamwala:

Hello, hello.

Abhishek Bansal:

Yes. Please go ahead.

Taha Siamwala:

Hello. Thank you for the opportunity. So on monthly plan, can you [indiscernible] the tenure, if we see Rs. 5,000 premium package, previously we have been given one-year tenure and now we are giving five years' tenure. So what is the motto behind increasing the tenure from one year to five years?

Abhishek Bansal:

So, in a monthly payment plan, there what happens is that you have to minimum serve a period of about 12 months and, post that, you can continue paying and your service will -- can continued. And in case you want to increase or decrease your particular plan, you can do so accordingly.

Taha Siamwala:

Okay. And what will be the bifurcation between the yearly payers and monthly payers from our total [indiscernible]?

- Abhishek Bansal:** At this point of time, out of the total money that we get, broadly about 32%, 33% comes from monthly payment plans, rest comes from annual payment plans.
- Taha Siamwala:** Okay. And if the tenure is increased from one year to five years, then how will the revenue recognized? Because there will be a far more deferred revenue in that.
- Abhishek Bansal:** No. So, if you actually take a monthly payment plan, revenue recognition typically happens on a monthly basis, so whatever amount that you pay for that particular month get consumed as revenue for that particular month. It will be in line with services rendered.
- Taha Siamwala:** Okay. So, we did some market research. So, if we have a Rs. 5,000 monthly plan and for the year it is Rs. 60,000. So, the services which we have provided, so for Rs. 60,000 we get the service for a year. So, what will happen in rest four years? Because we also offer five-year plan for the same price.
- Abhishek Bansal:** No. So, typically what happens is, these days, some of the credit cards, they do offer EMIs which are varying for various tenures, say, 12 months, 24 months, 36 months. So, in case you opt to pay on a 36-month basis or whatever, the money that Just Dial receives, we get that particular money upfront, which is consumed over the tenure of the contract in line with services rendered. The customer continues to pay as per whatever EMI tenure that they have chosen. Okay, thank you.
- Moderator:** Thanks for your question. Next we have Chirag Maroo from Concept Investors. Your line is unmuted Please go ahead.
- Chirag Maroo:** Thank you for the opportunity. Sorry, I've joined the call a bit late, so I apologized in the beginning that if my questions are repeated. I just wanted to know what is the revenue contribution from top 11 and tier two, tier three cities as well as campaigns.
- Abhishek Bansal:** Tier two, tier three cities contributed about 31% to revenue and about 51% to count of campaigns.
- Chirag Maroo:** Okay. So now that we always do a buyback after third quarter, and so what is your call for this particular year? Are we going to go for a buyback or dividend policy?
- Abhishek Bansal:** So technically the cooling period for the buyback is now over. However, we would -- since the union budget is just, say, 10 days away, we want to await clarity on taxation for buyback versus dividend, accordingly, whatever is the most optimal way to return cash to shareholders, a subsequent proposal shall be taken up with the Board.
- Chirag Maroo:** Okay. So we have extra cash on books. Is there any line of acquisition that you have seen you're going to make in future this year or next year?

Abhishek Bansal:

At this point of time, there aren't any inorganic opportunities that we sort of are evaluating. Yes, there tend to be proposals which frequently come up, but as we have mentioned in the past, nothing seems to have synergies with a horizontal like us. Secondly, nothing seems to be available at a valuation that we believe in. So, considering that whatever cash we have, we would possibly use for any organic opportunities which means any product creations or improving traffic technology or whatever, in house initiatives, no inorganic opportunities at this point of time we foresee.

Chirag Maroo:

Okay. My last question would be what are the customer attrition rate for the nine-month basis for FY20?

Abhishek Bansal:

So we don't look at on a quarterly or a nine-month basis, because typically our particular contractor for a period of one year, so we typically look at, okay, what is the annual attrition which has been in the range of broadly about 45%, 46% or so, that particular trend has been fairly stable over the last several years.

Chirag Maroo:

Okay. So, one last question, like I'm seeing that we are doing our campaign growth very well, but we are seeing problems in revenue conversion. So, can I expect that number of people are going more for lower-priced products compared to higher-priced products?

Abhishek Bansal:

So as I mentioned that, in a blended realization, there tends to be impact of the mix change, the more revenue coming in from tier two, tier three cities that impacts my blended realization. Having said that, in tier one as well, there has been pressure on realizations which we discuss that through monthly payment plans we intend to counter.

Chirag Maroo:

Okay, thank you so much.

Abhishek Bansal:

Thank you.

Rishit Parikh:

Just a couple of questions from my side, Rishit here on the call. Right? Couple questions on the product side of things. One, for a classified business, essentially, I think content is a key piece, right? So any investments that we are sort of planning given that you just mentioned, some of the cash will be used for sort of improving traffic or investing organically in the business? Any investments from that side in the Search Plus business side of things? And second, on the B2B side, what is the timeline for the launch of the product? And then, could you give us a little more details on how the product will sort of look like and what is going to be the functionality for a lot of these B2B guys who will be on the platform.

Abhishek Bansal:

Firstly, on your question on the content enrichment, if you see the number of images that we have in our database that has grown at even 40% plus year-on-year. We have about 78 million images. In terms of geocoding the data, that stands at about 50%, 55% of the database. So efforts are underway on a continuous basis in terms of content enrichment. Coming to certain particular, verticals or services where it makes sense to actually have a transaction-enabled platform, we do have certain thoughts to actually venture into that particular

space as well. Though I would say that, at this point of time, it would be a bit premature for us to say. On the B2B side, in next about couple of weeks or so, say, early next month, we do intend to have the product live wherein on the existing platform itself you will be able to search for B2B products, submit custom requests for quotes. And subsequently, we would also encourage 20% of our database, which comprises of B2B vendors to upload their particular products, their images so that it enriches B2B content on the platform and which should help users as well discover that particular content.

Rishit Parikh:

So I would assume this would require some bit of handholding for the B2B guys, right? So from a hiring perspective, are we sort of increasing or are we sort of developing a separate team which can do this job or how are you looking at it?

Abhishek Bansal:

Yes. So for B2B, we intend to have a dedicated team which will work on educating customers to upload their particular products, et cetera. Good thing about B2B is that products don't change that frequently, unlike B2C. So if a vendor has configured their particular catalog, then probably the only variations that happen is pertaining to prices. So there will be teams across geographies which will handhold these particular customers, and in the process help with monetization as well.

Rishit Parikh:

Okay. And just to follow up a couple of questions on more from a longer term side of things, right. I mean, we have about 29 million overall listings, but our paid listings are somewhere around 5.3, 5.4 lakh customers, right. So, I think over a longer term, are we looking to focus more on the penetration side of things given we already have a large set of listings on hand or are we continuing to focus on adding more and more listings and then eventually look at how that pans out over longer term?

Abhishek Bansal:

See, on listings, there are two separate teams, one particular team has been tasked with growing the number of listings enriching content, the other team focuses on monetization as well as adding the content. So the data or the 29 million listings that you see we get from various sources, one is from the feet on street itself, other is periodically there is a database team that continues to scan newspapers, periodicals, online websites, et cetera. So there are probably about 60 million, 65 million SMEs in India, another 10 million to 15 million are freelancers. So against a universe of, say, 80 million listings, we cover only about 30%, 35% at this point of time. So definitely we want to continue to grow that. On the monetization, there is a significant scope of growing the current campaigns and customers from the current levels. So that, obviously, is a separate parallel initiative that will continue to go on.

Rishit Parikh:

Okay. And just one last one on in terms of the average realization, right. Given tier two, tier three mix is sort of improving for the last couple of years that we've been seeing, where do you think longer term it sort of stabilizes in terms of mix, both tier two, tier three versus tier one, and then how does that sort of pan into the realization numbers. Thank you.

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Abhishek Bansal:

See, tier two, tier three cities at this point of time, my ticket size is much lower versus tier one, probably about 40%, 45% or so. We see significant scope of improving realizations in tier two, tier three cities. Considering we penetrate those -- we penetrated those markets at just very entry level prices. Now considering tier one contributes about 69% of revenues or so, tier 2, tier 3 might continue to gain share in terms of revenue as well as campaigns but absolute growth in terms of revenue of tier one, that obviously holds a key for us. Tier two, tier three at this point of time are gaining share, say, around 1% a quarter, probably that will taper down to, say, 0.5% a quarter going forward, but yes, tier two, tier three are expected to continue to gain share for next couple of years also.

Rishit Parikh:

So that effectively means, I think, your realization pressure should continue or you tend to think that given that you have these other products which are expected to go live in the next couple of months, from a realization the pressure should sort of --.

Abhishek Bansal:

See, realization, if you say -- if you see, say, about three, four quarters back as well, we were able to pull realizations back up by bundling certain products and taking certain price hikes. So, at this point of time, those have been difficult to come by because of the tough macro. But if we are able to get some tailwinds on the macro side then I think we should be able to increase realizations both in tier one, tier two. If that happens, despite the product mix going in favor of tier two, tier three, blended realizations could still show a growth.

Rishit Parikh:

Okay, fair enough. Thank you. That's all from my side.

Abhishek Bansal:

Thank you.

Moderator:

I'll repeat participants if you still have any questions, you may please press zero and then one. We have Vivekanand Subbaraman from AMBIT. Your line is unmuted. Mr. Subbaraman, you may go ahead and ask your question. As there's no response, next we have Chirag Maroo from Concept Investors, your line is unmuted

Chirag Maroo:

Sir, I'm able to see that in last two years we are not able to grow our campaign in top 11 cities and are able to grow our campaign in tier two, tier three cities. What kind of problems are we facing in top 11 cities which is leading to stagnant growth or almost 1% or minus 1% growth over the last two years?

Abhishek Bansal:

See, you are right. In tier one, obviously, the growth has been hardly, say, low single digits versus tier two, tier three. Tier two, tier three definitely they get the advantage of a much lower base. There are certain town, cities where we were not monetizing. But now when we enter monetization starts, that obviously results in overall tier two, tier three number continuing to grow up. In tier one cities, obviously, over the last about four to eight quarters, there has been significant pressure being faced by SMEs as well. Some of the problems we realize are due to our internal initiatives as well. As I said that sometimes what happens is the salesperson in order to meet their particular quarterly or monthly

targets, they tend to push SMEs more towards annual payment contracts, which results in lower productivity or lower number of SMEs being able to afford that annual payment contract. So some of those particular issues we plan to correct as soon as possible. Even in tier one, tier two, if you see the penetration, it's not that penetration is very high compared to the listings that we have. The 28 million, 29 million listings that we have, we are able to grow that particular listing base in tier one as well. So if that is happening, ideally the number of campaigns should also increase. So hopefully in coming quarters, we should be able to arrest that particular muted growth in campaigns in tier one as well.

Chirag Maroo:

Okay. So other than this, I just wanted to know that what are your plans to do this, like how are you going to implement this 1% or 2% or 3% growth for top 11 cities, like, how will you achieve that? Have you any kind of a plan for that?

Abhishek Bansal:

So, a couple of things that we are doing. One, as I discussed earlier during the call, that, one, efforts are on to improve productivity of our particular sales employees itself. There, by tweaking the incentive structure, we think that should ideally help get better productivity. Second, on the product side as well, we are sort of now -- whenever we sell a particular listing to SME, we also give them a digital catalog. We also give them a website. These particular products when added to the core listing that helps in better retention, better value building. So, a combination of both the factors, tweaking incentive structure to motivate salespeople to sign up more number of contracts plus giving better value for money at SME level, those two should together help us get more number of campaigns in tier one.

Chirag Maroo:

Okay. Sir, if I just want to bifurcate the subscription part, like in top 11 cities, what percentage of people go for annual subscription, how much for monthly subscription, similar in tier two, tier three cities.

Abhishek Bansal:

So, tier one cities, it would be broadly about -- my sense is about 30%, 35% or 35% to 40% would be going for monthly payment plans versus annual payment plans. In tier two, tier three, share of monthly payment plans is lower because since the ticket size there is on the lower side, people tend to pay upfront, which is in fact good for us because that tells us there is scope for us to increase prices there, though customers might want to then pay on a monthly payment plans to have better affordability.

Chirag Maroo:

So what is the percentage for tier two tier, three cities? Like 70 percentage or 80 percentage people pay annual subscription?

Abhishek Bansal:

Yeah, my sense is there about 25% or so must be opting for monthly payment plans, rest upfront payment plans.

Chirag Maroo:

So, is that a gradual shift, like people in tier -- top 11 cities are shifting towards monthly plan? Because if this is the case and people are -- more number of people are taking annual plans in tier two, tier three cities, still, we are able to -- still we are facing some issues with deferred revenue not increasing at the same pace.

Abhishek Bansal:

See monthly or annual plan depends more on affordability. As a consumer, if I have the ability to pay Rs. 20,000 upfront, I might have a capability to pay Rs. 10,000 upfront, but if I have to pay Rs. 24,000 I would rather prefer on a Rs. 2,000 per month basis. So, since the ticket size in tier one is much higher compared to tier two, tier three, that is why the proportion of monthly payment plans is relatively higher whereas we would ideally want it to go much higher because the more affordable the plan is, the more number of customers are expected to sign up.

Chirag Maroo:

So, what was the percentage of monthly payment and subscription last two years ago? Like if today it is 33, 67 percentages monthly, annually respectively, what was it two years earlier?

Abhishek Bansal:

Say, around two, three years earlier, we were at about 40% plus or so monthly component.

Chirag Maroo:

Okay. Thank you so much, sir.

Abhishek Bansal:

Thank you.

Moderator:

Thanks for your question. So at this time, there are no further questions from the participants. So I would like to now hand over the floor back to Mr. Abhishek for final remarks. Thank you. And 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. That's it from our side. Thank you.

Moderator:

Thank you so much for addressing this session, sir. Thank you participants for joining in. That does conclude our conference call for today. You may all disconnect now. Thank you and have a pleasant evening.