Just Dial Limited Q3 FY23 Earnings Call

January 16, 2023

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

Moderator: Ladies and gentlemen, good day and welcome to the Just Dial Limited Q3 FY '23 Earnings Call. At this moment, all participants are in a listen-only mode. Later, we will conduct the question-and-answer-session. At that time, you may click on the raise hand icon to ask a live question. Please note that this conference is being recorded. We have with us today, Mr. V.S.S. Mani, CEO and MD, and Mr. Abhishek Bansal, CFO.

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

Abhishek Bansal: Thank you, moderator. Hi, everyone. Welcome to Just Dial's Earnings Call for Third Quarter of Fiscal '23. Our operating revenue for the quarter stood at INR 221.4 crores, witnessing 7.9% sequential growth, and 39.3% on year-on-year basis. Y-o-Y growth being higher due to COVID-impacted quarters in last fiscal, our adjusted EBITDA, excluding ESOP expenses stood at INR 29.4 crores representing an adjusted EBITDA margin of 13.3%.

Our employee expenses have increased 29% on year-on-year basis, led by 39% year-on-year increase in headcount across sales, technology, product, content and marketing functions. On a sequential basis, employee expenses were relatively controlled at 3.3% Q-o-Q increase versus headcount increase of about 2.2%. Our advertising expenses for the quarter stood at about INR 5.7 crores.

Other income stood at INR 71.3 crores for the quarter. Last year same quarter had lesser other income due to rising bond yields impacting MTM gains in that quarter. Profit after taxes stood at INR 75.3 crores, representing a growth of 288% on Y-o-Y basis and about 44% on a sequential basis.

During the quarter, we signed up about 66% customers on monthly plans and 3Q collections stood at about INR 245 crores, which was up 6.3% sequentially and 63% on year-on-year basis. Monthly ECS collections, which is money received from direct bank debits for our monthly plan customers that contributed about INR 124 crores, almost half of our quarterly collections, and the same witnessed about 9.7% quarter-on-quarter growth.

Active Paid Campaigns at the end of the quarter stood at about 522,000 which was up 19.3% Y-o-Y and 3.6% sequentially. Paid Campaign addition of about 18,000 campaigns for the quarter despite a festive quarter which tends to be a bit softer, suggests a healthy trend.

Deferred revenue stood at about INR 402.4 crores, which was up 6.3% sequentially and about 23.6% year-on-year. Overall ramp-up in sales hiring is yielding good results and we expect momentum to very well sustain in fourth quarter as well.

As far as margins are concerned, they are also on an improving trajectory. As we have mentioned earlier, most employee costs hit our P&L immediately, but corresponding uptick in revenue recognition happens with a lag as services are rendered. With top line growth coming back, operating leverage benefits are also visible with margins expanding. Cash and investments stood at about INR 3,934 crores as on 31st December.

Coming to operational highlights, traffic stood at 156.8 million unique users for the quarter, growing 9.8% year-on-year. About 86% traffic comes on mobile platforms. However, with our new website, which has significant changes over the previous version going live, desktop traffic too should see uptick going forward. Total listings in our database stands at a staggering 35 million as on December end. Several user-friendly features are getting added to our platforms, which should help improve user engagement going forward.

Overall, as we see, we see the core business coming back on track. Revenue and paid campaigns are now very close to pre-COVID levels and the gap should get less shortly as we have mentioned in the last couple of quarters too.

Our realizable value, which is money that we expect to receive in next one year from sign-ups that we did in last quarter, was again healthy at about INR 260 crores, INR 265 crores, a slight sequential impact due to festive month which was anyway expected. So overall, top line has decent visibility of growth since collections at INR 245 crores are higher than revenue and the realizable value is higher than current run rate of collections.

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

Moderator: We have a first question from the line of Amarnath Bhakat from Ministry of Finance of Oman.

Amarnath Bhakat: I just wanted to do, this cash level which you are holding at the moment, close to INR 4,000 crores, what's the plan for this utilization? Because your capex requirement anyway is very less. How this cash is going to be utilized? Any plan for it?

Abhishek Bansal: So Amarnath, the INR 3,900 crores cash we have on our books, out of this approximately INR 1,500 crores we had prior to our strategic tie-up with the Reliance Group, and another INR 2,165 crores got infused as part of that particular strategic deal. At this point of time, one, we are focusing on our core business which anyway is free cash flow generating. At the same time, there are certain new initiatives that we are pursuing. As you would appreciate, we operate in a very disruptive sector so to say. A part of this particular cash could get utilized in future towards promotion of our new initiatives or if any other inorganic opportunities come along. At this point of time, we are ensuring that we get our core business back on track and utilization of this particular cash on the balance sheet, obviously we will take stock as our new initiatives unfold.

Amarnath Bhakat: Your company, yes, as you correctly said also, this is a cash generating company. So the utilization of the cash for your core business is really very limited, and after the Reliance Money came into the business, and these are -- it's become a kind of an investment company that managing the treasury, getting the return, which is much lower than your business returns. Actually, it is hampering your return on capital employed on an overall business basis. So even if your business is growing high, because of that cash level, your ROC is getting contracted a lot. So unless you find out certain fruitful way to utilize this cash, maybe an inorganic or whatever company thing here, this will become an overhang for your return on capital, isn't it?

Abhishek Bansal: So yes, you are right that at this point of time, the major chunk of cash that sits, that earns about whatever 7%, 7.5% yield. So at this point of time, as I said, there are certain new initiatives in pipeline. Once we proceed it over next few quarters, the company could re-assess the best utilization of this cash. At this point of time, we are ensuring that we don't do anything silly with this cash, so to say. And at the same time, whatever returns could be maximized on this particular treasury in the safest possible manner that is being done.

V.S.S. Mani: If I could add to this point, Abhishek?

Abhishek Bansal: Yes. Please go ahead.

V.S.S. Mani: Yes. So when we were doing the deal last year with Reliance, we were around that time, we were just limping back from COVID-related disruptions, but our goals are much more ambitious and Reliance, with the Reliance strategic investment, our idea is to enter into many value-added fields. So though we felt at that time there is a need for capital and that that's all the money was infused into the company.

But this quarter, if you see the last quarter, our strategies have yielded good results. We decided to focus on our core business which is local search, because it was mission critical for us to put our systems in place to overall see performance take off, because we have been highly profitable company. Yes, you are right, when, with all this new money into the company, there is going to be a challenge on return of capital, but then you don't want to make hara-kiri by throwing that money into some random business to acquire something.

I strongly feel with my 20 years, 25 years of experience in this business, the core business has tremendous strength and is a high cash flow, free cash flow business, and if we just stay focused for the next couple of quarters, we will see a huge return on existing -- I mean a huge return in terms of profitability. Yes, it'll be no maybe measurable to the capital that we have, then we kind of rethink on our strategy, not rethink, fine-tune and see what are the new opportunities. That's how we are thinking right now. This is important to keep our customers happy, the advertisers happy. As you can see this quarter, we have grown our customer base by 25% from last year and overall the businesses is in the right trajectory. These are technical points that you raised, but I would say gradually we'll address these issues. It's better to have a lot of cash in the books, than have debt in the book.

Amarnath Bhakat: So, both the sides, two months is not good that is what things are happening. Other side, when we have seen the company has too much of cash that is a problem and too much cash without 7%, 8% yielding when the business is having 25% kind of ROC is just diluting your ROCE. Anyway, so I have this two more strategic question.

Operational things is very clear from your presentations, as well as the business understanding. I have two more strategic questions. One is, see, you are developing so many products, two or three products are on the line, which might be implemented or commercialized maybe another two, three quarters down the line. I'm just trying to understand, the product what you are developing, it is already there in the market in some form, whether it is travel related, whether it is business to business related, whether it is some product, it's already there in the market.

I'm just trying to understand what Just Dial is trying to do to differentiate its product from what already in place, whether it is Google for search engine, whether it is IndiaMART for the B2B business, whether it is travel-related hundreds of different kinds of platforms are there. So are you doing something which will differentiate yourself, so the people who will come to you not to others?

V.S.S. Mani: Okay, so let's understand our business. Our business is to help small businesses get customers. Okay. Which has been for the last 25 years and how we have been doing it? We are giving that one point access to prospective users, who are buyers, who could find and discover and eventually find the right vendor for what they're looking for, and thereby we have been benefiting. So that model cannot change, that remains that, so Just Dial will continue to be a platform, which will generate quality leads for businesses.

A big differentiator between us and other players is, in our case when a small and medium businesses or any businesses or service whatever acquire customers, that customer brings to them, there is a lifetime value opportunity with that customer. Other than most other platforms where the customers are owned by the platform, these businesses happen to be just suppliers. So that, and if you think about every small business want to become a medium size business and medium size business wants to become a large size business one day. So they have to continue to have their own customer base and grow that base. So Just Dial plays a very important role in that.

Now, for an overall user experience, we may have to mimic some of the product features which are there in various verticals. Because as a horizontal, Just Dial give a unique proposition, which is that you can find local vendors in your neighborhood vendors for your products and services that you're looking for, in most cases you will find names that are familiar to you and you will get far more satisfied buying from those familiar names.

And now that the price difference is narrowing down between online and offline and all that, then the obvious loyalty or rather not the loyalty, the faith is more on local vendors that I know of. But if I have a platform like Just Dial through which I can access those vendors and as a user, I am saying, I would prefer that. Now why, oh well, in that access, should that have the ability to transact on, should that have ability to fix an appointment on time, so that have an ability to place an order online, that’s all have to be done, only then the platform becomes relevant.

So whatever we are doing in terms of product improvement, features and all that, is only fine-tuning to make it up to date. The basic principle of being a bridge between the buyer and the seller remains and our job is to continuously help small medium businesses grow their customer base, but in that process, if there are requirements to have certain features, that is what we are working on.

Amarnath Bhakat: So this association with the Jio, the market looking at Just Dial is not just a Just Dial, at the moment we are all looking at the Just Dial as a part of the Reliance Group. Now Jio is with his vast kind of a network which they already built across India, how does that is coming to Just Dial, are there strategic things which will give them a competitive edge over any other competitors available in Indian market? This is exactly my question, as I just tried to hint directly to the point, how that Jio association, now Jio is your owner of the company.

V.S.S. Mani: Right.

Amarnath Bhakat: Of course, when Reliance buy something, they doesn't buy it for a small thing, they buy something for a huge kind of an growth outlook for it over a longer period of time, just trying to understand how that is a competitive advantage for you?

V.S.S. Mani: Okay. So first is, there are certain natural things that come with the Jio partnership. Jio happens to be the largest cell phone provider in the country, almost in numbers. Now, we, the business contact details, the business data that comes to Jio directly flows onto Just Dial, that's further strengthening our database in terms of listing small, medium business from the length and breadth of the country. Then the second thing is, if you look at it, there are retailers which are Jio partners. They also automatically come to our platform and thereby, we are able to enrich our content as well as our vendor based. Then the third of course integrating Jio, Reliance per smart stores platforms and all that.

But let us tell you, the original thinking behind this strategy was how to get there was a kind of a regulatory thing that was happening, where actually the government wanted to differentiate between a platforms which is what you call third-party marketplace, different from first-party market place. Now somehow that regulatory reform has not happened right now. So we have plans in place, where the original plan was Just Dial becomes the third-party marketplace, which is like the vendors are any of the local dealers and local manufacturer, whatever it is and you directly as a customer buy from those pick and choose of vendors and the other model was like a warehouse-based model where it was first-party marketplace, basically you then directly buy from a Reliance, JioMart or Amazon and whatever it is.

So that -- since that change has not taken place and there is no immediate plans to do that, we said we would rather focus on our core business. More particularly because core business was really hurt, but yes, you will see in due course of time what you said precisely will happen. The big plans. The big picture, we know it's not going to be a small business, but with the right time, this will happen.

Moderator: We have a next question from the line of Nikhil Choudhary from Nuvama.

Nikhil Choudhary: Congrats on good numbers. So just one thing I want to understand, especially related to intangible under development, how that is progressing, are we still capitalizing at the same run rate and how long do we plan to do that, is it going to be in next FY '24 as well? And when do we expect that our capitalization to hit our income statement, basically when we are thinking of monetizing those assets, also the JD Experts, JD Commerce and JD Mart? So just want to understand the dynamics of that particular part?

Abhishek Bansal: So Nikhil, the capitalization during the quarter was about INR 5 crores, taking the total capitalization to about INR 27 crores. Now, these projects, the way it works is that they are built in a phase wise manner and as and when a particular phase gets completed, that particular phase starts getting depreciated in P&L over the estimated useful life of the asset. At this point of time, I think sometime in possibly in say first quarter of next year, some of these particular existing capitalizations should start getting expensed over useful life of whatever two to three years.

Moderator: We have our next question from the line of Mohit Motwani from Nuvama.

Mohit Motwani: My question, Abhishek is on the paid campaign's addition, you have been doing a lot of good paid campaigns due to the monthly payment plans. Now I just wanted to understand, are there any three to four verticals which are actually helping you to grow your paid campaigns very healthily? Are there, two, three verticals that you want to call out? Just wanted to get some insights on that.

Abhishek Bansal: So Mohit, paid campaigns even historically for us no single vertical so to say, contributes more than 4% to 5% of revenues. And even now in terms of recovery that we are seeing, it is extremely broad based. So paid campaigns and realizations are hardly 2%, 3% short of pre-COVID peak numbers and that gap should get bridged very shortly. And the good part is that both geographically as well as in terms of type of businesses, there is a broad-based recovery.

Mohit Motwani: One more question, just wanted to understand the paid campaigns that you have added in the last few quarters, which were mostly on monthly, 70% were on monthly. What kind of renewals have you seen in these additions? Can you give some color on that?

Abhishek Bansal: So most of these particular monthly plan sign-ups that we do, they in a way sort of get auto renewed. At this point of time, of the overall total paid campaign base that we have, now about 55% of those particular paid campaigns are monthly plan basis. In fact, the key advantage with monthly plan is that it obviously is much more affordable to the customer, there is a every month payout that happens instead of a chunky pay out and that is how it works.

Moderator: We have our next question from the line of Rishit Parikh from Nippon India.

Rishit Parikh: Sure. I just had two, three questions. Abhishek, just wanted to understand when, so we've hired a fair bit of people in the last I think three to four quarters, right, especially in the sales side, right. So just wanted to understand three things there. One, what are the hiring plans? Second, how do we measure the productivity of these employees, and essentially do you think we are operating at an optimum level in terms of productivity or there is more to be done going forward and hence employees will be more productive going forward, and we don't need to hire as much? And then I have a follow-up.

Abhishek Bansal: So on hiring plans, you would see that the first three quarters, or maybe say first two quarters of this year, the majority or bulk of sales hiring happened. Last particular quarter overall headcount of the company has increased by only 2.2% only. So I think the way we are looking at it is that since there is more reception of our particular product even after taking bit of price hikes, so we would want to sort of in a calibrated manner keep hiring, keeping next two to three fiscal years in mind.

Having said that, the current sales trend that we have, for the same tenure, productivity levels are already higher versus pre-COVID productivity levels, but the staff that got hired in last two to three quarters, they would definitely start yielding much better results after they become, say six to nine months tenured. So for next couple of quarters, two, three quarters, whatever internal targets that we have, the existing sales strength itself should be able to cater to it. But since we are seeing decent uptick in terms of productivity, so we might want to continue hiring at a calibrated pace, not as aggressive as we did say in last three to four quarters.

Rishit Parikh: Just wanted to sort of understand on the outlook perspective which, what you see in a market, right, is there over let's say a two-year period, three-year period, do you think you can continue the same pace of paid listing addition or this is just some of the one-off gains that you lost in COVID and that's come back?

Abhishek Bansal: If you see now for last sort of three, four quarters, three quarters, so we have been adding 18,000 to 20,000, 21,000 paid campaigns every quarter. In the current running quarter, we intend to take our monthly plans from even 70% to 80% or even higher.

The idea is to make it as affordable as possible for the SMEs and the way you can say that in our mutual fund industry, you have that SIP book, in a similar way we would want SMEs to sort of see their particular INR 1500, INR 2,000 spend on Just Dial as a mandatory spend for their particular business. And since we are seeing --

Management: Plus. Yes. Go ahead, go ahead. Continue.

Abhishek Bansal: And since we are seeing a positive response on that, I think paid campaigns growth should keep trending upwards. And again, going forward, whatever revenue grow that we will target, internal target would be half of the growth should materialize from paid campaigns growth and rest half we should be able to take corresponding price hikes. That is what demonstrates the true potential of the product.

Management: So you have to understand, the opportunity is different post-COVID. Post-COVID, small businesses and medium businesses are now realized digital first should be the strategy, not like traditional media, traditional platforms are now getting second priority. So hence that priority shifting to digital first, we are going to be one of the beneficiaries, that's because of that we are able to price it better and we are likely to get more number of customers or advertisers.

So, this probably explains you that in the next probably couple of years, we see continuous growth both in the number of customers and unique customers and as well as average ticket size.

Rishit Parikh: Can I ask one more question or should I get back in the queue?

Management: Sure. Go ahead.

Rishit Parikh: Just on the newer initiatives, right, I think so can you just help us understand where the progress is today broadly and is there a timeline that is sort of useful for us to monitor the progress or the launch deadlines, let's say over a year or two-year period? Again, I'm not asking for a specific quarter, but again anything just to understand, how should we look at it?

Management: So JD Experts, the pilot has been very successful. We are all set to accelerate, probably hopefully by the end of next quarter we should be in full-fledged access by people, users from multiple cities. Regarding JD Mart, there are certain important feature development and all that being done and this renewed focus from the management team and you will see that fruits of that also shaping up around the same time.

As for JD Shopping is concerned, as I explained to you, that project we didn't want to prioritize although we've invested a lot of money into it and we continue to capitalize it, we just want to delay the launch. Because there is no immediate urgency to get that rolling, which is the shopping thing, because of the 3P, 1P marketplace confusion that existed before, it's no more there. So as a Group, as a Reliance company we said like let's Just Dial focus on all the core services and B2B activities, then look at Shopping as a last priority.

Abhishek Bansal: Also, just to add one point here, on JD Shopping, the way ecosystem is shaping. So suppose you sell a INR 100 product on your platform, your commissions broadly are in the range of anywhere 7% to 8% on an average depending on which category you operate in. Now we did certain pilots and ideally as a business I would want all my expenses, including my performance, marketing spend or any advertising spend to be curtailed in that 8%, so that over the long run, it becomes a healthy unit economics business.

At this point of time, for us, that seems sort of difficult basis whatever pilots we have done and we see that others in the industry are also obviously unable to operate on a positive unit economics. So consciously we want to be sure that we don't end up spending, you can spend tons of money at the end of day, you will not have that much sticky users. So we want to be sure that we keep improving our platform and at the right time do those particular spends to scale up traffic. So I thought we'll add this.

Management: That's right.

Moderator: We have a question from the line of Vivekanand Subbaraman from Ambit Private Limited. Please go ahead. Mr. Subbaraman, please unmute your audio and go ahead. Please unmute your microphone from the toolbar. Since there is no response, we'll move on to the next question from the line of Hemal S, an Individual Investor. Please go ahead.

Hemal S.: I just have two quick questions, maybe I just joined the call late, maybe you already addressed it, what is the total collection every quarter you used to give the collection amount, what was the collection amount this quarter?

Abhishek Bansal: It was INR 245 crores.

Hemal S.: And what was it last quarter?

Abhishek Bansal: Last quarter was about INR 230 crores and same quarter last year was INR 150 crores.

Hemal S.: So, quarter-on-quarter I'm seeing like active paid campaigns and growth slowing down. Is that a concern for you or is it just the seasonality is or is that not a concern for you?

Abhishek Bansal: So we added about over 18,000 campaigns. And as I mentioned in my opening remarks as well, October which was a typical festival month, so there part of the additions that were lesser than say 20,000 run rate was attributable to that particular month. So overall, the exit run rate was quite healthy. I think as we go into future quarters, we should continue to see healthy additions.

Management: So festive seasons like Dussehra and Navaratri, Dussehra, Diwali is usually the lowest-ever month for Just Dial in the 12-month calendar year, so that's when both acquisition of customers and revenue dips, but then it picks up. Usually the March, the last quarter is the best quarter.

Hemal S.: And thank you for that clarification. One more is, when you say revenue fall into the way you would explain two quarters back is, what do you see this year is generally what you should expect six months down the line, is that still accurate? Is that my understanding accurate?

Management: It was actually a 12-month down the line, I think. Abhishek, go ahead.

Abhishek Bansal: Yes, so INR 402 crores is advances that I have received from my customers for which services are yet to be rendered. So this INR 402 crores, the average amortization schedule could be say around eight to nine months. Over next eight to nine months, this INR 400 crores will get accrued. Having said that, in those eight to nine months, I will also sign-up customers and get collections, a part of it would obviously get accrued in that period also.

So this quarter's INR 221 crores, part of it came out of unearned revenue as on 30th September and part of it came from fresh collections that I received during last particular quarter itself.

Hemal S.: And absolutely final, since we have such a large cash amount, what is an average yield that we should expect for FY '24? Like I know it's published, but I'm asking --

Abhishek Bansal: About 7.3%. So portfolio's yield to maturity at this point of time is around 7.3% -- 7.2% to 7.3%.

Hemal S.: And we can say the duration around five years, is that what you are saying?

Abhishek Bansal: No, so we operate at a duration of about 3, 3.2 years, primarily because all mutual fund investments become taxes efficient as soon as three years are crossed.

Moderator: We have our next question from the line of Vivekanand Subbaraman from Ambit Private Limited. Please go ahead.

Vivekanand Subbaraman: I have two sets of questions. One is on operational numbers and financials. So Abhishek, I need your help on the split of the revenue and campaigns, top 11 versus the rest of the market. That's one. Second, if you would help us with the A&P and the guidance for '23 and '24?

And last financial question is on the estimated realizable value of collections, being now that a 70% of the collections are for company campaigns, how do I make it equivalent to what you were quoting pre-COVID?

Last question is on the slide that you have put this time on enhanced analytics for customers. So here, what exactly are you doing and where have you progressed in this regard? And how will this help you in your business and monetization? Thank you.

Abhishek Bansal: Okay. So Vivek, on your first query, top 11 cities, they contributed about 62% to revenue and 42% to paid campaigns. So essentially ticket size in Tier 1 is higher than Tier 2, Tier 3. That is why higher contribution by value lesser by volumes. A&P guidance in a steady state, we would want to spend say around 6% to 7% of our top line on advertising spends. This particular year, we spent more on ramping-up our particular sales teams, etcetera.

A part of those spends got offset by lesser A&P spends. Having said that, pre-COVID we used to get about 158 million to 160 million quarterly users with about INR 18 crores of quarterly spend. Right now last couple of quarters has been at about 156 million or so, with just about the INR 5 crores, INR 5.5 crores of quarterly spend. So net-net A&P spends can be ramped-up at any point of time. For next year as I said that I believe budget in something around 6%, 7%.

On your third question around the estimated realizable value, so last quarter it was about INR 260 crores, INR 265 crores, very slightly short of the INR 270 crores the previous quarter. The way we look at realizable value is that, this is my current estimation, this is the amount of money that I should ideally be receiving in next one year from my customers and this we keep back testing over our historic data. So whatever I had estimated last year same quarter, I did almost end-up receiving that much amount over the next 12 months.

Pre-COVID this used to be peak of about INR 235 crores or so. So we are about broadly 15% to 18% higher versus pre-COVID levels, certain months are even higher versus -- 20% higher versus pre-COVID.

On your query around enhanced analytics, so when we run campaigns for our customers, we try our best to give them visibility on how their campaign is performing. So they get visibility in terms of their listing showing up, searches happening for their particular specific listing, for their category, clicks happening, calls coming to them, request for quotes going to them.

So this particular analytics section gives them complete visibility on how their campaign is performing on a monthly basis, etcetera. So we have added new features such as giving SMEs ability to sort their particular leads by relevance, sort their leads by recency, trying to give them as much control as possible on their particular campaigns, so they can make best use of whatever visibility that we provide them.

And over time, this simplicity and being able to track performance of their campaign directly correlates with how my renewals pan out, how my customers perceive ROI from my platform.

Vivekanand Subbaraman: Just one follow through. So the realizable value of collections is INR 260 crores to INR 265 crores in 3Q, would you be able to help us with the number for the last 12 months, because this migration to monthly packages has been underway since the COVID recovery. I'm just trying to understand, because the reported numbers are still lower than COVID, but in FY '24 you might suddenly have a sharp jump in revenue basis, what you just commented right now?

Abhishek Bansal: So for first nine months of this year, first three quarters realizable value was broadly around INR 765 crores to INR 770 crores. I tend to give a range because it's an estimate. So INR 765 to INR 770 crores and the same for first three quarters of last year was about INR 435 crores to INR 440 crores.

Vivekanand Subbaraman: INR 435 crores to INR 440 crores. So, is this…

Abhishek Bansal: It's because last year obviously there was significant impact of COVID in first one or two quarters.

Vivekanand Subbaraman: So essentially, Abhishek, if we end-up with realizable value of collections broadly similar to what we saw in 3Q, is it fair to assess that the fiscal '24 revenue number will be INR 770 crores-plus INR 260 crores, so around INR 1,000 crores? I'm just trying to understand, because the percolation to revenue has been difficult for us to model?

Abhishek Bansal: So technically, if I were to understand, see, whatever I will sell in next particular quarter, those customers will pay me the signed amount over a period of the next 12 months. And whatever that particular money comes in will get accrued over their respective tenures. So it might not one-on-one correlate. So the first nine months amount, yes, with great certainty, I can say that, yes, that will surely get accrued as revenue in fiscal '24. For last three to four months, a part of it could spill over.

Moderator: We have a next question from the line of Rupesh Tatiya from Intelsense Capital.

Rupesh Tatiya: So my first question sir is, do you have a margin guidance for us, in FY '24 or when we can get back to pre-COVID margins, and how do we get there?

Abhishek Bansal: So in terms of, we do not per se provide a specific margin guidance, but pre-COVID, we used to operate at around 25% to 28% margins. We are obviously coming out of this particular COVID impact in terms of our top-line trying to catch up with the pre-COVID numbers. As far as expenses are concerned, we have already made significant investments in terms of ramping-up our particular sales team. So I think next year same quarter or thereabouts we should be on a quarterly basis be coming closer to pre-COVID type of margin levels or could be slightly earlier as well.

Rupesh Tatiya: The second question I have is like, I think the pre-COVID your active campaigns were around 520k, and I think we've reached that number in this quarter. And this might be the easy part, whatever we lost, some of our customers were impacted in COVID, they are now coming back. So and you have done so much hiring and so much investments into the business, right. And you are now saying that will grow, pretty much will add 20,000 pretty much every quarter more or less and plus you will continuously grow now for next six to eight quarters. So can you give some second level details around that? Because till here, I think the journey at least was relatively easy in my mind. How do we go from here from 520k to 700k in next six to eight quarters?

Abhishek Bansal: So let us look at it slightly from a top down perspective. So India broadly business ministries estimates itself has about 60 million, 65 million small and medium businesses and other 15 million to 20 million could be freelancer such as gym instructor, yoga teacher, swimming coach, etcetera. They are not technically SMEs, but they are potential listings for us. So broadly the universe could be say 80 million listings.

Now post-COVID, I would argue that against this particular 80 million listings, for sure 1% of this particular universe should surely be at least advertising on a platform such as Just Dial, that itself translates to say 800,000. My database at this time is about 35 million listings. In a steady state, we think that 5% of the database should surely be our particular paid subscribers. So that way that translates to huge opportunity numbers in terms of a 1 million-plus or close to 1.5 million to 2 million subscribers. So there is no dearth of opportunity per se.

Good part is that COVID in itself has made SMEs realize that they need to be present on online platforms from there, from where they could get their particular business to get discovered. During COVID, SMEs which had some online presence could still cater to getting some particular consumers, but ones who were completely offline, they do realize that the way it is important to have an Internet connection for your business or telecom connection, similar way, you need to be present on a online platform, plus the average ticket size of INR 18,000 to INR 20,000 that we charge annually, that overall we feel is very-very affordable for any small and medium business, it's not an amount which will pinch any particular SMEs' affordability.

Rupesh Tatiya: Another part of the question is, you have talked about price hikes and whatever your first batch of monthly customers maybe they have now, I don't know 18 months old, or maybe more than 12 months old, what kind of price hikes we have been able to get there? Or if you can talk about behavior of this cohort in terms of I mean they are going into longer plans or they converted into ECS, what services they are using if you can give some color on that cohort, for example?

Abhishek Bansal: So even today or even before we adopted this particular aggressive monthly plan strategy, we still had a good chunk of customers who have been paying us on monthly plan basis for last several years. Why I'm emphasizing this particular point is that for me, it is important that a particular customer should keep paying me on a month-on-month basis. I am not that obsessed about getting that extra 10%, 12% price hike from that particular customer. In any case for a digital advertising platform, there will be customers who might choose not to renew on an immediate basis, etcetera. So whatever new customers that are coming in, they tend to obviously face price hikes. Customers who have paid in lump sum, whenever their next renewals are due, they also obviously face price hikes. So overall, the target is that part of the growth on the overall cohort basis should come via price hikes that we can take. So I am not that worried about whether a customer who signed up 15 months ago and they are happily paying me INR 2,200 a month, whether I should work to get INR 2,400 out of that particular customer or not.

Rupesh Tatiya: What kind of price hikes we do, like 5% or 10%, 15%, is it? What kind of price hikes…

Abhishek Bansal: So there are two types of listings that we sell. One is the premium listing, other is the non-premium listing. Premium listings have the top six positions. So, if you are searching for a dentist in Bandra West, the dentist coming on top, they have typically blocked that inventory for the entire tenure. So if 100 searches are happening, their name will come on top position in all 100 searches. Post those premium listings, rest of the customers get visibility in proportion to the money being paid by them. There is no fixed position.

Now in premium listings, there is a scientific way by which price hike gets percolated. So the way it works is that, for categories which are seeing growth in traffic, part of the growth in traffic gets percolated as price hike every month. So whenever a particular customer comes up for renewal, at the end of their particular tenure, they see a certain price hike. This particular model also helps us to reduce prices in those categories which are not in demand. So that way if a particular category is seeing say 10% drop in traffic, we are happy to pass or reduce prices by 6% or whatever part of that growth or de-growth.

On the non-premium listings, we take price hikes from time-to-time, which is where we took about 12% to 15% price hike, sometime in second quarter of this particular year.

Rupesh Tatiya: Then one small question, in terms of sales employees, can you talk about, I don't know capacity utilization? I know you say that some of these people will start contributing nine months forward, but in terms of capacity utilization might not be the right word. But you get what I'm asking?

Abhishek Bansal: So the way we evaluate is, we look at something known as gross margins or gross cost of sales, which is nothing but direct costs associated with sales, such as salaries and incentives that way to our sales employees. So at this point of time, we are operating at about 47%, 48% being our cost of sales and pre-COVID during our best months, we used to operate at about 40% or so.

Now this 48% obviously is higher, partly because there is a significant hiring that has happened. So, on the financial side, I would obviously want this 48% to go towards 40% and at the same time as far as potential in terms of output or productivity is concerned, definitely on a overall basis, there is still potential to improve their particular productivity by 20%, 30%, if not more.

Rupesh Tatiya: And then the final question, sir, is in terms of competitive positioning post the acquisition by Reliance Group. I mean can you give some color on in certain areas, we have got, maybe some areas there where we were trying to work really hard in the past, but we weren't able to get success, now with the help of Reliance, in some of these areas, we are becoming leaders. And then what are some areas where there are still areas of improvement, if you can talk about competitive landscape post Reliance takeover?

Abhishek Bansal: So there instead of specific areas, our strength is in being a horizontal. So the key strength of the platform is the one place where one platform which connects all these small and medium businesses in India. You search for any particular category, you will surely find relevant results. The depth and breadth of results is far superior on the platform. Over last few quarters and in coming quarters what you will see, the same set of database will have much richer content in terms of you being able to see deals and offers being offered by some of these particular businesses, their particular tariff cards, menus, catalogs, basically a much more curated content which will enable users to take much better decisions, which particular SME to avail services from and so on.

So overall, instead of pre-Reliance or post-Reliance, I would say that as far as core business is concerned, that is more to, the strength lies in being more horizontal, very well oiled sales machinery, the network that we have PAN India. In terms of newer initiatives, which pertain to adding a transactional layer, both on the services side, as well as on the product side, that is where we are working closely with the Reliance team and those particular initiatives are underway.

Moderator: We have our next question from the line of Amarnath Bhakat from Ministry of Finance of Oman.

Amarnath Bhakat: Just two small again the strategic follow-up questions on this. After Reliance get into your business as a promoter, now is there any strategical change happened in the business? Now, they came and show off their way of looking at the business might be different than the Just Dial working before that. So if you can help us to understand, is there any major strategic outlook change after the Reliance comes to the Board?

Abhishek Bansal: So, in terms of the strategic change, I would say that the key priority was that we had two successive years of COVID impact in terms of say, our top line going down by about 30%, 32% versus pre-COVID levels and the clear strategic discussion that we had was that, how can we in this particular fiscal '23 itself quickly bounce back to pre-COVID levels.

So, while the P&L revenue will take another quarter whatever to catch up, but we have been able to the fact that we've been able to cross pre-COVID levels of realizable value, collections at INR 244 crores are anyway higher versus INR 235 crores of pre-COVID revenues.

Amarnath Bhakat: Sorry. Abhishek, I'm not looking at the operational factors. See, whether Reliance is there or not there, the operational recovery post-COVID it is event to be bound to be happened, that is just a matter of time whether six quarter or eight quarter, or two years or three years. I'm just trying to understand from a strategic point of view?

The way the company was working before Reliance came in and after the Reliance took over the majority stake, of course there must be something strategically outlook change, that okay, now the new promoter came, they want that business to be run in a little different way or something in a new direction, I'm just trying to understand that is there any directional change happened in the company, after the Reliance came into picture, not the operational part of it?

Abhishek Bansal: Okay. So as I mentioned earlier, the directional change primarily is to say that this particular platform is a search discovery-based platform, can we add a transactional layer, because things are obviously moving online. Having said that, those particular transaction layer, we are also very clear that we should not be doing something which just results in building off for money, because something does not seen to have unit economics in the long run.

So some of our newer initiatives are clearly an outcome of those particular strategic discussions, which are to say that add a transactional layer such that SMEs which were getting discovered through the platform earlier, can interactions between the user and that SME also get routed via the platform itself.

Amarnath Bhakat: So, it is more of an integrated approach rather than and piecemeal approach, probably because now you wanted to have an app which integrated it nature from top to bottom. So once the SME comes into your platform, they will start from searching up to the end of payment and delivery?

Management: Right.

Abhishek Bansal: Yes. So, in certain categories up to till the end. In certain categories, it could be enabling digital payments. So even if there is a transaction happening in an offline store, can the payment be collected via a particular platform? So yes, that is how it is.

Amarnath Bhakat: Is there any change in the top management or the organization structure after this deal happened? Any new management staff I am talking about the top management staff either came in or came out or somebody is about to came in, something like that in the top management? I'm talking about CEO, CEO minus one.

Abhishek Bansal: So at management level, there haven't been any changes. At Board level, we recently inducted two new Directors, which were announced as part of last Board meet.

Amarnath Bhakat: Okay. So management was as it is, as it was before this acquisition took place?

Abhishek Bansal: Yes. Even as part of our discussions, Reliance Group was very clear that they would want the existing management itself to take over and keep running the business, which is how it has panned out.

Amarnath Bhakat Okay. And last piece of it, a bit operational, now the hiring spree in the last few quarters is suddenly seriously accelerated, of course we all understand that at some point of time the return will come and it is fixed expenditure for which the operating leverage will play out at some time.

Just trying to understand, why that was so much of recruitment happened almost in a one quarter or two quarter rather than on a staggered manner as and when the business recovered and as and when the operating leverage from the existing staff are getting factored into the P&L and the balance sheet?

Abhishek Bansal: Okay. See, let us understand, when I hire say 100 sales employees, they take anywhere around, say, four to six months to start producing some decent revenue and they reach their particular peak productivity in say 12 months' timeframe. Now, if I were to follow this particular approach to say that, okay, I will hire 500 people, I will wait for them to become optimal at the end of nine months, 12 months**,** I would unnecessarily end up losing time.

So what we did was, once we fine-tuned our strategy to say that okay we will aggressively focus on selling monthly payment plans, we saw productivity of existing team itself was ramping-up, that is when we went about aggressive hiring. That aggressive hiring also in my view already was done in a staggered manner. It was not one particular single quarter where we hired. We hired over last four quarters, so that was already phased out.

Amarnath Bhakat: So as an investor, so probably we should read into it that as a management, you are confident that even if the hiring spree was accelerated in the last three, four quarters, the utilization maximization will eventually happen and the idleness of the existing staff will not hurt your margin profile going ahead.

Abhishek Bansal: Yes, whatever is the cost structure -- see whatever people I hire, their salary costs have already hurt the P&L, so to say. Now going forward, whenever the top line starts to show up in P&L, those margins should automatically see expansion. Internally, the way I look at it is, the INR 190 crores cost structure that I have today on a quarterly basis, on P&L basis it shows up as INR 221 crores of top line.

But for me, that INR 190 crores fetched me INR 245 crores of collections and INR 265 crores of realizable value. So, in a way that particular margin profile is already better versus what gets reported. P&L margin is obviously with a lag, that INR 221 crores is coming from customers whom I had sold in last three to four quarters, but my costs are already getting amortized on a monthly basis.

Moderator: We'll take our last two questions. We have a question from Vivekanand Subbaraman from Ambit Private Limited. Please go ahead.

Vivekanand Subbaraman: Just one question. Abhishek, have you spoken about this, the headcount that you have deputed to some of these projects that are under development, just to unpack the headcount question better?

Abhishek Bansal: So the headcount attributed to some of these projects, that is not very high at this point of time, would be say sub 200 or so, but I'll have to check on exact numbers.

Vivekanand Subbaraman: And are these staff members on fungible in terms of -- can they be reassigned to, for example, JD Shopping, you guys took a call that perhaps the regulation and the extent of cash burn needed, doesn't entail a very aggressive or so -- are you reassigning these people to the core business itself, is that how you are carrying in out?

Abhishek Bansal: Yes, that is very much fungible. That straight away proof is that this particular quarter, while total headcount addition was 300 employees, my sales count addition is already 600. So some of those particular employees, we found it prudent to reshuffle and reassign to our core business.

Vivekanand Subbaraman: And last quarter, I believe you had mentioned that you have around 600, 650 people in JD Mart, is that the same or have you added anymore people?

Abhishek Bansal: So that stands at broadly around 750 or so at this point of time.

Moderator: We'll take our last question from Sarang Sanil from RW Investment Advisors.

Sarang Sanil: Congrats on a good set of numbers. So a couple of questions. Could you give a breakup of revenue and paid campaigns into Tier 1 and 2, 3?

Abhishek Bansal: So Tier 1 cities contributed about 62% to revenues. And the paid campaigns, they contributed about 42%.

Sarang Sanil: Okay. So that's broadly the top 11 cities? Is it?

Abhishek Bansal: Yes, top 11 cities.

Sarang Sanil: Okay. Understood. Okay. Sir, one thing I don't understand is that, so I posed as a seller and I experience, so I tried calling JD and everything, so I tried with multiple cities and a minimum subscription cost for a city called Coimbatore, which could probably Tier 2, Tier 3 city, the minimum subscription was INR 3,000 and some place like Bangalore, the minimum subscription was INR 4,000 per month. Okay. I don't understand how annually it turns out to be INR 20,000 -- INR 18,000 to INR 20,000 on paper, while when we annualize the monthly thing, it is around INR 45,000 to INR 50,000, right? So is it because lot of people are dropping out?

Abhishek Bansal: Okay. So couple of points there. One, the average ticket size that you see is on a blended basis for Pan India and Tier 1 cities typically are about 30%, 35% higher, whereas the other smaller cities are at a lower price point. Secondly, this particular pricing also tends to be customized at a category level. So no, not all customers across the city will face a similar pricing. So once our particular feet on street comes up, they understand what are your keyword requirements, which all geographies you want to target, basis that they propose the relevant pricing.

Sarang Sanil: Understood. So could you give us an average ticket price of Tier 1 city or Tier 2, 3 city?

Abhishek Bansal: So as I said that in the case of -- let me check, I don't have it really. Tier 1 cities versus the average, it is about 30% higher.

Sarang Sanil: Right. No, on absolute terms?

Abhishek Bansal: Absolute, I will have to check, it should be around INR 26,000, INR 27,000 or so.

Sarang Sanil: Okay. So that's like roughly INR 2,000 per month.

Abhishek Bansal: Yes, INR 2,200 per month on an average.

Sarang Sanil: For a Tier 1 city, right. Okay. Sir, a follow-up on the same, sir what is the percentage of overall paid campaigns, stay for a year or more on an average?

Abhishek Bansal: What percent of, sorry?

Sarang Sanil: Of the overall paid campaigns, say we have about 5.2 lakh, right. So how many of them actually stay for a year?

Abhishek Bansal: So historically, the churn rate that we have had, which we see as, if hundred customers signed up today, how many go into year two, exactly one year down the line, that is around 55% retention, say around 40%, 42%, do not go into year two. Having said that in our particular case, which we have discussed multiple times in the past as well, a particular customer wanting to pause their campaign after a period of one year does not mean that they have churned out for life.

Advertising tends to be a slightly discretionary spend where a person might think that, okay, let me pause the campaign for three months, see how my business is doing, three months later or six months later, they might want to come back into the paid ecosystem with higher or lower spends. So the way we look at it is, I mean overall any particular customers that we are signing up other than, okay, just after one year, how many are going to year two or not. For example, during the COVID period, customers who churned out that particular year who did not renew, a good chunk of them are coming back into to the paid ecosystem today.

Sarang Sanil: Also, one more thing. So from my experience, you don't give any discounts for customers paying upfront annual fee, right. Why is this so? Say a B2B be a player like India MART, it really gives out a discount for paying upfront?

Abhishek Bansal: Okay. So, this was an intentional strategic call that we took. We did use to give some particular discounts for upfront payments. As I've been saying, cash discount which sounds logical difficulty as well. But then what we realized was, in those particular situations at times there tend to be bit of miss commitments, because the sales person is wanting to get the lump sum money upfront.

So we said that we anyway as an organization are keen to sign-up as many customers on a monthly plan basis. We actually do not want customers to pay up on a lump sum basis upfront. We want those particular customers to pay us on a monthly basis and keep paying us for a longer time frame. So that is the reason we decided that, okay, let us withdraw those particular discounts on upfront plans. Having said that, our particular branches do have discretion to run some short-term offers that they might want to do, which is a key feature in any business.

Moderator: I would now like to hand the conference over to Mr. Abhishek Bansal for closing comments.

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

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