



## “Justdial Limited Q1FY14 Results Conference Call”

**August 5, 2013**



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**Moderator** Ladies and gentlemen good day and welcome to the Justdial Q1FY14 Results Conference Call hosted by Citigroup Global Markets. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode, there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Gaurav Malhotra from Citigroup Global Markets. Thank you. And over to you sir.

**Gaurav Malhotra** Good evening everyone. Welcome to Justdial's first quarter FY14 Results Conference Call. We are pleased to host the management of Justdial on this call. Today, we have with us Mr. V.S.S. Mani -- Founder and CEO; Mr. Ramkumar -- Chief Financial Officer and the senior team of Justdial. Now without taking too much of time, I hand over the call to the management for initial remark after which we will have the Q&A session. Over to you, sir.

**Ramkumar** Good evening, friends. This is Ramkumar. Mani is slightly indisposed, so he will be taking specific questions. Let me begin by welcoming you all to the first and maiden earnings conference call of Justdial. We will first take you through the quarterly financial performance and operational performance and I will briefly give you the highlights of the business performance of Q1 and then we will open up for question-and-answer session. First, the financial performance. Justdial's operating revenue was Rs. 104.5 crores Vs Rs. 81.6 crores the previous year, a growth of 28%. Operating EBITDA was Rs. 36.25 crores for Q1 Vs Rs. 25 crores same period previous year, a growth of 45%. EBITDA margins expanded by about 4 percentage points to 35%, I will go over the reasons of that a bit later. Net profit increased 69% to Rs. 28.04 crores as compared to Rs. 16.6 crores in the same period previous year.

Moving on to operational performance of the business – We received 115.2 million Search Requests which consists of Voice Calls, Internet Visits both PC and mobile, which constituted a growth of about 36% year-on-year. This 115.2 million Search consists of 56.4 million PC Internet Searches which constituted growth of about 31% over same period previous year. On the Mobile Internet business, we had 19.5 million Internet Visits, which constituted a growth of about 148% over the same period last year and on the Mobile Voice Calls we had 39.3 million Voice Calls as compared to 33.7 million previous year, a growth of about 17%. The Internet platform which consists of both PC and Mobile, constituted about 66% of the total search request as against 60% in the earlier quarter. The Mobile Internet visit jumped to about 17% of the total search requests Vs 9% in Q1 of last year, this is a very significant jump that we have seen and a very important trend that we are witnessing in the business. As of June 30<sup>th</sup> 2013, we were conducting about 2,21,500 Campaigns as against 1,81,000 Campaigns in June last year, growth of about 22%. We had a database of about 9.5 million Listings as against 7.7 million Listings last year, growth of about 23%. And as of June of this year, we had employee count of about 8,100.

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Giving you some key business highlights – During the quarter, our effort was to reduce the friction point for the SMEs to sign up for paid campaigns on our platform. We had number of initiatives that we had taken on this front to reduce the friction, to increase the number of sign ups, accelerate the number of paid customers that we have and we have seen some very good trends and results on this front. If you notice our number of active customers for the quarter signed up for 15,000 paid campaigns, the net active campaign increased by about 15,000 versus 11,000 in the previous quarter.

We also aligned our incentive plan to ensure that our telesales and marketing sign up more of the easiest monthly payment and weekly evergreen contract and we have seen significant increase on this front. The number of monthly sign ups which was in the earlier quarter was around 50% has now jumped to good 65% to 75% of the total campaigns signed up. This has also resulted in the realignment of the incentive outgo as far as the company is concerned which has also contributed to the margins.

Before I go to the operational search highlights, I want to briefly touch upon the key drivers of the margin expansion during the quarter. If you notice our EBITDA margin has expanded to about 35% from 31% in the earlier year. There are a couple of reasons for this. Definitely, we have seen the increasing contribution of search happening through the Internet platform. As you have seen 66% today comes from the Internet platform. And also we have seen increasing sales productivity due to the initiative that we have taken of reducing the friction which has contributed to the margin expansion. And finally, due to the increasing sales and the presence of high fixed costs, we have seen the operating leverage playing out.

Having said that, normally our first quarter is a big quarter. We do see good amount of margin expansion during this period. However, I would like to add that bulk of our marketing and advertising expense happened during Q2-Q3 and some of it overflowed to Q4. So you would see that just like consistent with what happened in last year when our Q1 EBITDA margin was 31% and then we ended up the year with about 28% and we expanded by about 230 basis points in FY13, consistent to that we believe that this 35% will come down as we go further into the financial year this year. Definitely, we are confident that the margin expansion would happen as compared to FY13.

Now coming to the search drivers – Justdial has been benefiting from the changing ecosystem that is happening in India today. If we really look at it, some of the key events have happened in the past quarter. The affordability of smartphone has increased. Now the smartphones are available in India for less than \$100. All the major telecom players have reduced the 2G and 3G prices which all this has played a part in increasing the usability and the penetration of internet particularly through the Mobile Internet and we believe this is a very, very encouraging trend for a company like ours that we are seeing increasing usage happening on the Mobile front. We have also designed a number of initiatives which has allowed us to

deepen our engagement with our user community. We have in the quarters, just to give you an example of this deepening engagement with the user community, on the movies front people will be able to see the trailers and very recently we launched then we gave them the ability to book tickets as well and some of the products that we talked about in the IQ as well as in the prospectus, some of that is in very advanced stage of development especially some the food orders as well as a couple of other products. So given the favourable eco system, the initiatives that we have taken in terms of deepening our engagement with the users, we are confident that as we move along we will see the trend of broadening and deepening usage on our platform.

Just to sum it up – I would say Q1 has been a pretty strong quarter as far as we are concerned. We have shown good top line growth. We have reduced friction for SMEs to sign up campaign on our platform. We have demonstrated margin expansion and also the search composition with the increasing proportion of internet, most particularly contribution of Mobile Internet, we are confident that this trend will continue for the rest of the years and we hope to have a great year for FY13-14. With that I would like to hand over for you guys to ask any questions and we will be very happy to answer that.

- Moderator** Thank you very much sir. We will now begin with the question-and-answer session. The first question is from the line of Jignesh Kamani from Nirmal Bang. Please go ahead.
- Jignesh Kamani** Just wanted to know, Mumbai is one of the largest markets for us and if you remember, there was 10 to 15 days strike due to LBT issue. So does it have any impact on the growth in the new campaign?
- V.S.S.Mani** Yes, it did have an impact both in Mumbai and Pune. The last quarter we did have impact of about 15 days that is right.
- Jignesh Kamani** Could you be able to quantify 3 or 4% of the revenue or how is it roughly?
- Ram Kumar** The overall growth could have been higher by 100 to 150 basis points if the LBT had not happened.
- Jignesh Kamani** Second pertaining to employee cost. If you take about sequentially our employee headcount has been higher by 10.3%. How about sequentially employee cost is down by 1.2%, so can you help me reconciling employee cost?
- Ram Kumar** Sure, as we mentioned earlier in the discussion earlier, that we have realigned our sales and incentives to more of the monthly and weekly evergreen contracts. So as a result of that what has happened is what earlier used to get paid on upfront contract is now getting paid on a monthly basis. So on an absolute amount basis it has come down, but as we go down the year this will align to be same rate of earlier years.

- Moderator** The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.
- Ankit Babel** My first query is that the growth in the Search is at 36% and the growth in revenue is at around 28%. So the revenue or the realization per search has come down. I believe that your pricing policy that are really dependent on the number of Searches. Do you feel this trend to reverse the realization per search to go up going forward?
- V.S.S. Mani** In last quarter if you see we have been affected by various things like the LBT strike as one and another is also like Ram explained to you that we have tried a friction-free sales process wherein we allowed businesses to sign up upfront without paying any money but signing an ECS mandate. Usually, it takes 35 to 45 days for a mandate to get cleared and for that revenue to show up on our books. So we have implemented this around 15<sup>th</sup> of May. So that definitely had an impact on the revenues for the Q1, but Q2 onwards you will see a different trend altogether.
- Ankit Babel** The campaigns you have already added in your 2,21,000, but the revenue is still not being recognized?
- V.S.S. Mani** No, we have not added those campaigns as well until we realize money, we do not add it to the campaigns, so we only add it when the first cheque is realized from the customers. In this case because there was no upfront payment, it was all signed by ECS, so it takes about 40 days for the ECS to really reflect, that is one of the reasons. And you will see that this change in the next quarter we should catch up with the same monetization.
- Ankit Babel** My second question is on your paid subscriber campaigns. Would you like to give us some guidance that by the end of the year, what are you targeting in terms of net additions to these campaigns? Where you see these campaigns to be?
- V.S.S. Mani:** Net additions you would definitely see the year ending better than last year in terms of percentage growth in the number of active campaigns as well as the absolute number of campaigns. But I am not able to pluck a figure and tell you right now but it will definitely be better than last year.
- Ankit Babel:** Because sequentially it has improved from Rs 2,06,000 to Rs.2,21, 000. So is the same trend would continue on or not? That is what I need to understand.
- V.S.S. Mani:** It will be slightly better than that.
- Ankit Babel:** The growth part?
- R Krishnamachari:** Yeah, of course.

- Ankit Babel:** Sir, my last question is on your other income part. I believe that currently you have some Rs.450 to Rs.500 crores of cash on your balance sheet, but your other income is Rs 7 crores now it gives a very low yield. Just wanted to know is it on account of some accounting policy or what is the reason for such low yield?
- V.S.S. Mani:** It is basically for tax efficiency, we have locked in some of these investments for a longer period like at least a year. So you will see this other income showing up in the next quarter or two, you will see much better other income. Thanks to the money market today, overall, the yield is pretty good.
- Ankit Babel:** But there have been some turbulence in the last one month. Has it impacted your liquid mutual funds and all those?
- V.S.S. Mani:** Not very much, because we have not exposed to such type of funds to that extent, only about 10% of our investments were exposed to such type of funds, and we purely invest in debt-based funds in fact and probably some short-term funds we invested we got probably impacted but very-very insignificant when you see the overall corpus.
- R Krishnamachari:** Lot of it is on maturity basis. So as and when the maturity happens we will be selling it. Not much I would say from a mark-to-market exposure that we have.
- Ankit Babel:** Sir you book your income on accrued basis or receipt basis in this other income part?
- R Krishnamachari:** On receipt basis. Indian GAAP does not allow on accrual basis.
- Moderator:** The next question is from the line of Tejas Sheth from Emkay Global. Please go ahead.
- Tejas Sheth:** I have little more on the business side. We have seen that the consumerism in this country is really seeing a downturn. I just wanted to understand how SMEs are behaving in this kind of scenario?
- V.S.S. Mani:** SMEs are cautious but at the same time they are getting a bit smarter in spending the money, they would now like to spend more on medium, especially the marketing money on medium which are far more result-oriented. So they have curtailed their expenditures on branding exercise or any kind of image building exercises but they continue to spend on things that can directly help them grow the business. So we have not been much impacted because of this trend. Of course we would have been much better than what we are today as economy is better than what it is today but otherwise we have not been much impacted.
- Tejas Sheth:** So, you mean this is not becoming difficult to sell the online media idea to SMEs?

- V.S.S. Mani:** Not at all, because Justdial is a 16-year-old company. We have proven to the market year-after-year. So there is lot of positive publicity for Justdial from existing customers. So SMEs when they think of growing their business if given multiple choices and Justdial being one of them and they would probably choose Justdial first and then if there is any money left they probably spend on other medias, that is how it is getting now. There was a time when we use to sell it as a concept; it is no more a concept for them now, it is like a must.
- Tejas Sheth:** Sir at the end of FY13 we had that 50% of your paid listings are on annual contract and the balance 50% is less than annual. I just wanted to understand with these new aligned incentives plan, how would be this ratio for the additional Rs 14,000 paid listing which you added in this quarter?
- V.S.S. Mani:** Most of them would be on evergreen contracts which means these are perpetual contract, still you write to us saying that I would like to discontinue the customer, perpetual contract mean you sign and give us some bank mandate and every week you pay us an X amount of money or every month you pay an X amount of money and only when you want to upgrade your contract you come back to us or we have a better product to sell you or better think to offer we go back to you and that is how it is. So these are contracts per se with perpetual contracts, auto-renewal contracts.
- Tejas Sheth:** Would it be fair to assume that the most part of this would be on the shorter duration contract and hence your customer advances base would be lower?
- V.S.S. Mani:** Actually these are contracts which are on auto-renewal, there is no need to assume that there will be for shorter period, in fact, we see that people who have gone for a yearly contract with us before they have more tendency to sign this kind of auto renewal contract because they find it like they do not have to revisit this every now and then and that is how the trend is. So this is beneficial for the company because we are able to improve our employee productivity several folds because of this, because otherwise we have to go back to the same customer to renew this contract. So overall it is a good situation to be in.
- R Krishnamachari:** Coming to the advance part is, you are right, it would have an impact on our advances that we collect, the result on the deferred revenue as well, but overall this is more benefit to the company than taking advance one year from the customers.
- Tejas Sheth:** Last two book-keeping questions, can you just me tell me the CAPEX in this quarter and the cash in the books as on quarter end?
- R Krishnamachari:** Cash in the books about Rs. 537 crores as of June and the CAPEX was around Rs. 6 crores.
- Gaurav Malhotra:** Just 2 or 3 questions from my side. Firstly, you did mention about the facility that things would have been better had the economy been growing better than what it is. So are you seeing any

pricing pressure from your customers? That is the first question. Second is on the churn. Have you seen that the churn has gone up say in the last 3 to 6 months? Lastly, on this whole break up of campaign if you can just give us a break up of how many are on evergreen, how many are on ECS? That is it.

**V.S.S. Mani:** We continue to use our pricing engine so there is no way that we give any kind of discount or any such practice on the pricing. So we do not see any pressure on the pricing front. I do not see any significant change in the churn. It is pretty much the same, there is no such panic situation.

**R Krishnamachari:** Lastly, on the campaigns, it is about 70% of the new campaigns that we are signing up are on the evergreen.

**Moderator:** The next question is from the line of Niket Shah from Motilal Oswal. Please go ahead.

**Niket Shah:** Just two questions from my end broadly. Just wanted to know you mentioned about the newer product launches that you plan to do towards the end of this year. Just wanted to know in case if you can give a broad guidance in terms of what kind of revenues can we actually generated from these non-linear revenue models that we are actually planning to launch, that should be helpful?

**V.S.S. Mani:** When we talk about the growth of this company we do not take into account any of these new products. So say hypothetically there are no more new products coming for this year and the year next, we still continue to grow as what we are growing. Having said that yes, the new products are very interesting, they provide the ability to monetize not just through the search engine traffic but beyond that. There are ways and means where we enable businesses to conduct the business much more efficiently. So these SMEs cannot develop these technologies. We build these technologies for them and they pay us per use basis. So that is going to be additional revenue for us. At the same time it also allows us an access to their inventory, which we are able to showcase to our users. For example, if you want to book a table in a restaurant, order food from a restaurant or fix an appointment with doctor, and there are various such things. So that is the key. But yes, these are very important steps, if you look at this company 5 years from now you would see that these products are going to contribute significantly in terms of growth and we look at our customers, particularly the SMEs as partners with whom we can, not just provide them the business leads that they are looking for, but also help them with superior technologies to run their own businesses efficiently. So what we develop for one restaurant will also apply for another restaurant. So there is nothing much different from restaurant-to-restaurant, doctor-to-doctor, hotel-to-another-hotel and that is what we are actually achieving by doing this.

**Niket Shah:** So the larger impact of this is expected to start from FY15, would that be a safe assumption?



- V.S.S. Mani:** That would be right.
- Niket Shah:** My second question was primarily if I just go back to the history of Justdial, you actually had three categories initially Platinum, Diamond and Gold and then you removed off Gold. When do we actually say you are removing Diamond as well and then focusing on Platinum and then Non-Premium? Is that a part of strategy or a long-term strategy that we have?
- V.S.S. Mani:** The strategy is to always look at the best benefit for our advertisers at the same time optimize the revenue for Justdial as a company. And for optimizing the revenue we always look at key metrics like revenue call or revenue per usage and keeping that intact if you are able to eliminate this play Platinum, Diamond products, yes, we may do one day, but right now I do not see that happening, the Platinum, Diamond are going to be there and probably a couple of years down the line we will revisit it.
- Niket Shah:** Also, on the incentive structure which Ram actually highlighted, just wanted to know are the incentive structure within your employee count the same for your yearly payment as well as for the evergreen or it is different in terms of absolute percentage that you give?
- V.S.S. Mani:** The employees are actually compensated on revenue accrued in their name. This incentive trend will change recently compared to before it was purely collection basis, now it has been we are encouraging them to look at the revenue pipeline rather than looking at what you could get right now upfront from the customers. So we are trying to align everybody, every person's interest particularly the sales people's interest which goes with the company, and that is how it is.
- Moderator:** The next question is from the line of Rahul Bhangadia from Lucky Investment Managers. Please go ahead.
- Rahul Bhangadia:** Taking this forward on the employee incentive bid, you mentioned that the change in the way the products have been offered to the customers, and the way the incentives are being offered to the employees is one of the reasons for the margin expansion. So could we take it as these margins been sustainable or there is something more to it, how do we take it on a yearly basis?
- V.S.S. Mani:** On a yearly basis, there is always a wage increase and for our company it is not the first quarter, in the second quarter we have the wage increase, for the last year same quarter at 31% EBITDA margin whereas this year ended with 28%, we have 35% this quarter. So quarter-to-quarter comparison last year versus this year you can see 4% margin expansion but you would definitely see a margin expansion on year-on-year basis whether that is going to be 4% or 3% we will know quarter or two later or subsequent quarters.

- Rahul Bhangadia:** Before the IPO when we met you had mentioned about at least 100 to 150 basis points expansion in margin per annum basis. So that at least would stand and you may do better is what you are saying?
- V.S.S. Mani:** That is right.
- Moderator:** The next question is from the line of Jignesh Kamani from Nirmal Bang. Please go ahead.
- Jignesh Kamani:** What is the currently break up between Premium member and Non-Premium member?
- R Krishnamachari:** About 21% the same.
- Jignesh Kamani:** Of revenue?
- R Krishnamachari:** Number of campaigns.
- Jignesh Kamani:** In terms of revenue?
- R Krishnamachari:** It would be in the range of 35% to 40%.
- Jignesh Kamani:** Second thing if you take about earlier our Category Search was around 36% for the company and balance was company search. So when people are moving from Voice-based to Internet-based how is the Search metrics? Is it more aligned to Category Search or Company Search?
- V.S.S. Mani:** Internet Search there is reasonable percentage of Category Search, in fact on Voice Search there is lot of a searches we convert from Directory Search to Category Search whereas on Internet it is like originate as a category search, which is a very good sign. And so for us if the traffic moves more on to the web it is actually good news for us, thus we are able to generate more quality leads for our advertisers.
- Jignesh Kamani:** So it would be in excess of 40%, 45% Category Search?
- V.S.S. Mani:** I do not have the data right now. Probably, Sandipan can pull it and give it to you. Sorry, we will be prepared next quarter better.
- Jignesh Kamani:** Right now our Paid Listing is around 2.3%. If you take our mature market like Mumbai and Delhi where we have presence since 10-15 many years. So what kind of penetration level where we have reached in terms of Listing?
- R Krishnamachari:** It will be about in the range of 2.6% to 2.7%.
- Jignesh Kamani:** So there is no much difference in the Mumbai and non-metro market?

- R Krishnamachari:** Not significant of material difference between them.
- Moderator:** The next question is from the line of Tejas Sheth from Emkay Global. Please go ahead.
- Tejas Sheth:** Delving move on the employee cost, just wanted to understand two things. #1, how many more employees we are looking to add in FY14? #2, this incentive cash outflow will be at the year-end or we would be doing at every quarter end. So does this quarter reflect the incentives paid?
- V.S.S. Mani:** Incentives are paid on a monthly basis, so they reflect for the quarter in this report. And incentive trends looks like it would be somewhat like this but we are not able to confirm right now, we will wait for a few more quarters to see how it works. And your second question was employee addition, you would see some employee addition but more on the sales and productivity side because we want to have more feed on street as you can understand now our business has got more “show and tell” than what it used to be. So we used to rely a lot on telemarketing before, but now we are actually venturing to employee field force, lot of them would actually go to businesses and show them our products, how it looks like, how they can use it as a user, how they can participating for generating leads, so we would see an increase in sales force.
- Tejas Sheth:** Would you like to put any absolute number because 750 number itself is used on quarter-on-quarter basis. So your hiring is usually done in Q1 and hence for next 9 months we cannot see much addition?
- V.S.S. Mani:** There would have been some non-sales activity. So we have the typical periods of time when we have attrition in our call center and we have to rebuild, but it could be that case, but, overall what is the employees growth between last quarter and this quarter?
- R Krishnamachari:** 530 is the right number, not 750 and bulk of the 530 were in the non-sales but then subsequent quarters we will see that adding on to the sales force.
- Tejas Sheth:** So we may see more addition coming up in the coming quarters?
- R Krishnamachari:** Yeah.
- Moderator:** The next question is from the line of Niket Shah from Motilal Oswal. Please go ahead.
- Niket Shah:** Just two follow up questions. Would it be possible for you to share what is your conversion ratio?
- V.S.S. Mani:** These are data which we would not like to share unless we are compelled to share.
- Niket Shah:** Broadly give a range or something so that we can actually...?

- V.S.S. Mani:** You would definitely see better percentage of paying customers by the year-end, and that trend is looking good.
- Niket Shah:** Just one more question. We broadly know how would you record your Search request as well as internet and Voice is concerned. How would you record your search request when it comes through the mobile internet platform, if you can just briefly highlight on that part?
- V.S.S. Mani:** It is a same technology we use for Mobile, Voice and Internet. Obviously, in Voice we get to know the person looking for and there is a caller ID, there is a lot of information about the user. On Internet and Mobile of course we have people dialing in a number, so we measure the response through that.
- Niket Shah:** But that number would ideally be same within the Internet and Mobile Internet platform right? How would you bifurcate that?
- V.S.S. Mani:** That is bit difficult right now, so what we do is if you are using a Mobile App we are able to keep track of what your actions are to an extent and on the Mobile browser, Sandipan, we are able to measure the action taken by?
- Sandipan:** We are keeping a log on application not on the Mobile. \_\_\_\_ we are trying that but typically what we do is we have a session and that is how we track every interesting part on the distinct queries because that anyway is serviced, it is not cached from the client side. Very symmetric to phone call, number of queries being constant and secondary effectiveness is there and we have measures to the ratio
- Niket Shah:** And the last question would have been your 150 million Search Request that you have reported, as far as Internet and Mobile Internet is concerned, those are actually Visits and not Search Requests. So how much would that be when you transfer that to Search Request so that we have a like-to-like comparison with Voice, Internet and Mobile Internet?
- V.S.S. Mani:** Usually this Search Request for visitor is more than one of course. Ram, you have shared the Search?
- R Krishnamachari:** No, we have not shared the Search data, we have shared the Visit data and this is what we have in DRHP. Normally 2.5.
- V.S.S. Mani:** No, you are adding Mobile Visits to Calls. I think we should give Search data henceforth in the future. I think from next quarter onwards we will give you overall Search volume. That will give you a much better idea.
- Niket Shah:** How much Mobile download application you would have seen in this quarter sir?

- V.S.S. Mani:** This quarter ready data I do not have, I think so far we have about 1.82 million downloads of our Mobile App both iPhone and Android. It is around 10,000 a day adds every day.
- Moderator:** The next question is from the line of Ashish Kacholia from Lucky Investment Managers. Please go ahead.
- Ashish Kacholia:** My question is basically on the Voice Search volume growth which is at about 17% in this quarter. Is this the kind of growth rate that we can anticipate going forward as well because it looks like a fairly mature kind of growth rate that has happened?
- V.S.S. Mani:** Voice Search we are seeing a bit of slow down but I would attribute this to a combination of certain exercise that we used to do before which we are not able to do it because of regulatory reasons. So that would be one of the reasons but there is going to be another an evangelist program and there is going to be some kind of a push on voice and we should see that it should come to little higher than 20% but I am not able to predict right now but yes, there is one thing I want to confess that we aggressively promote our Mobile Search, Mobile Application and Web Search to our existing Voice users. So we are aggressively converting them from voice users to actually app users. That is one reason that you see some kind of a slowdown. And even if you have downloaded our app, I would not say it is easier to use app, but it is some kind of a rich experience that you get through the app than what we do not get on voice.
- Ashish Kacholia:** And my other question pertains to, I missed that part, I think you answered this earlier, if you can just repeat this whether we will be able to catch up to revenue per search of Rs.10 once again I believe we are just below that number in this particular quarter?
- V.S.S. Mani:** This particular quarter as I said we could not accrue certain revenues because of our new policy I think our EPS which takes 45 days to actually hit the bank, so you will see differences in next quarter, I think we should see a big difference, it should bounce back.
- Ashish Kacholia:** Will it make up for the shortage in this quarter and then some more for next quarter, is that what you are saying? Then the next quarter should be a really blow out number.
- V.S.S. Mani:** That is difficult to say actually because let us see because there is a growth in traffic as well. So
- R Krishnamachari:** Eventually it will catch-up to the average of Rs.10.
- Ashish Kacholia:** And what are the chances of that Rs.10 becoming Rs.11 in due course of time?
- V.S.S. Mani:** You can always do that by over charging your customer but then will it sustain is what is the key. The pricing engine plays a very balanced role here and only if there is a dire need for that to go from 10-11 we do it otherwise we would play a balanced...

- Ashish Kacholia:** So currently we are happy being that number staying at 10 and our volumes going up?
- V.S.S. Mani:** Absolutely, that is right.
- Moderator:** Thank you. The next question is from the line of Vinay Rohit from ICICI Prudential Life Insurance. Please go ahead.
- Vinay Rohit:** Just wanted to know as we see more and more Mobile Search being used by the user, does it have any impact on the prices we can charge to our advertisers, because there has been definitely smaller but...
- V.S.S. Mani:** We have noticed one thing, once a person downloads our app he is using our product many more times than he uses on voice, which means more the usage is better for us, more opportunity to monetize. So if this trend continues, yes, I see more opportunity to monetize as compared to before, and there are a lot of things that people discover when they download the approvals, they see, "Okay, oh! I could get information about hotels, I could book rooms, there is information about doctors of different types," there are a lot of things that people discover when they download the app.
- Vinay Rohit:** The Search we see is purely from the apps, right?
- V.S.S. Mani:** No, I am saying that is the trend, as more people downloading the app, Mobile Search includes the Mobile App user as well as the apps, so Mobile Internet and App users. And we do not count Tablet users yet on Mobile, we are still counting them as Web users. Overall about 25% of our Web Internet traffic is on Mobile, and 75% is on Tablets and PC and Laptop.
- Moderator:** Thank you. The next question is from the line of Dhiresh Pathak from Goldman Sachs. Please go ahead.
- Dhiresh Pathak:** I am not sure whether you answered this question earlier, but what percentage of campaigns which come up for renewal get renewed?
- V.S.S. Mani:** So that continues to be the same, we have 10% mortality of companies and 23% of attrition, so rest is about pretty much renewed.
- Dhiresh Pathak:** Sorry, I am not sure how to read that number. So you think 23% do not get renewed and the remaining....?
- V.S.S. Mani:** 57% get renewed.

- Dhires Pathak:** For a like-to-like comparison of let us say a particular campaign, in a particular category, in a particular city, over the last 2 or 3 years, what would have been the price increase for a particular campaign?
- V.S.S. Mani:** Price increase is continuous, because we use the pricing engine, so just to give you an example, like if you are in a particular business, like you are a mover and packer located in a particular area in Mumbai, you buy all the key words related to your business, and you bid for this, zip codes that you want, and then the next year when you want to renew the contract, we go by the Search Traffic, the volume of Traffic, if there has been a substantial growth in Traffic, you are most likely to pay, may be if there is a 30% growth in Traffic, you are likely to pay 30% more to renew your contract for the same premium position like a Platinum or Diamond.
- Dhires Pathak:** For about whatever 50% of the contract which are getting renewed every year, on a like-to-like basis, what is the price increase that you would have seen on an apples-to-apples basis over the last 2 years, is there a metric number that you capture?
- V.S.S. Mani:** We can actually get that, probably we will arm ourselves with the information next time and give you, but you are saying an average platinum customer, how much he used to pay a year back versus now is what the question is or you are asking for a specific customer who renewed the contract in the last 3 years, what has been the growth?
- Dhires Pathak:** No, what I meant was at a company level, whatever contracts are getting renewed, so assuming the same customer is coming back and paying up, how much higher he will be paying on an average at a company level. Of course for different categories and different cities it will be different, but if you look at the whole company level, on an average, how much is a renewing customer paying higher for the same product that he is using year-after-year?
- V.S.S. Mani:** This exercise will be worthwhile if you work it out for mature markets like Bombay, Delhi, Bengaluru and all. I think next quarter we should have this data available for you.
- Dhires Pathak:** And for Searches which happen on the internet, how do you explain to the customer the efficacy of the lead generation, because I am not sure whether you can capture the lead generation that is happening through Justdial and tell the customer that it is happening through Justdial?
- V.S.S. Mani:** Oh! That is easy for us because we have a feature called 'Send to Mobile', we have 'Reverse' auction, we have 'Best Deal' and then we also have virtual numbers, so when you dial the number of that particular business, we are able to measure the call, and this is coned by the business owner and us, so we are able to measure the response for that as well as features like 'Send to Mobile', 'Best Deal' which generates leads for us, so that is another way of measuring.

- Dhires Pathak:** Because I understood the answer that you gave to earlier participant's question that on the App when you Search for a particular category or a product on the App and you get a number, and you dial that number that number gets captured in your database, but in case of let us say the Search happening through the browsers, I just look at the number and I dial the number later on to my Mobile, how do you capture that I dial this that customer of yours by seeing that number on the Justdial?
- V.S.S. Mani:** Whether it is App, WAP, Mobile, Website in all the platforms we do measure our paid advertisers through virtual numbers so that is not a problem. I think his question was slightly different, he was asking about the usage pattern of Mobile Users versus Web or something like that.
- R Krishnamachari:** I will take it offline.
- Moderator:** Thank you. The next question is from the line of Vivekanand Subbaraman from Philip Capital, please go ahead.
- V Subbaraman:** Can you clarify this section 'Free Sales Process' that you rolled out last quarter?
- V.S.S. Mani:** So in the earlier sales process, we had this option of paying on a weekly or a monthly basis, but customer had to pay a 3-month advance, then we realized that if we actually do away with the advance part, then there is even more better chance of converting a number of businesses actually sign up with Justdial and we introduced that in mid of May and saw some success, and then we finally fine-tuned it and made it slightly better, and we continue to do the same right now.
- V Subbaraman:** And this is what you mentioned will also lead to some spill over of revenue in the next quarter, right?
- V.S.S. Mani:** That is right.
- V Subbaraman:** And also could you throw some light on the categories that have done well during the current quarter and categories that are seeing slowdown especially in you mature markets where you will probably have this kind of data?
- R Krishnamachari:** We have not seen any perceptible change from the earlier quarter or otherwise, our top ten categories remain more or less the same, may be that for example doctors could have been 'third' in my earlier quarter, now they become 'fourth' and the composition is more or less the same, just the order may have been one or two down up or down, like the travel services, the packers and movers, doctors, real estate agents, household requirements, they continue to be the top ten, and there has not been much change in that.



- V Subbaraman:** And what about growth in your large markets, Mumbai, Delhi versus the other markets, has there been a very wide divergence in the revenue growth?
- R Krishnamachari:** What we have seen is both these markets are averaging large, if the company grew 28%, both these on an average grew about (+20%), and obviously as Mani mentioned earlier, some of the approvals are yet to happen based on the signups that we did in this market subsequent quarters should see them contributing a higher growth percentage, as we move along. So overall the growth has been I would say strong in both these, but then as we move along in subsequent quarters you can see higher growth for both these cities.
- Moderator:** Thank you. The next question is from the line of Sandeep Muthangi from IIFL, please go ahead.
- Sandeep Muthangi:** My first question is related to an earlier question about monetization and lead generation in the Internet and Mobile businesses. So I understand when user does Voice Search, you are performing the activity of lead generation which is very valuable for an SME, whereas in the other instances, you are performing the activity of being a conduit for advertisements. So is the monetizing ability of an Internet and Mobile platform per Search inherently lesser because you are not performing the activity of a lead generation to the SME?
- V.S.S. Mani:** No, all platforms are lead generating for SMEs, and all are measurable, the only difference is in Voice there is a pro active conversion of a Business Search Caller to a Category Search, whereas that is not done on the Web, but we have not seen any significant drop in Category Searches, because Web generally has a tendency to give us more Category Searches, because people discover a lot about our product, so overall it is a good thing for us that more traffic moves on to the web.
- Sandeep Muthangi:** And my other question is related one of your new initiates. Very interesting that you are trying to expand and enter into Bookings and things like that, but does this also involve you installing your own systems on the SMEs, or else how do you ensure that the inventories are up to date?
- V.S.S. Mani:** So most of these inventory is usually the technology is provided by us and it is used by for example, if there is a table reservation then it is only Justdial's table reservation used by the restaurant, there will not be two table reservation workable. Similarly, a doctor's appointment, it has to be Just Dial provided digital calendar which the doctor would be using, so the inventory is accessible to us at the same time.
- Sandeep Muthangi:** Just one last question, the business obviously generates a lot of cash, what do you intend to do with cash, is it going to happen in the form of acquisitions or do you want to invest in growth or give it back to the shareholders?

- V.S.S. Mani:** Of course, the first thing is to invest on growth and if you still keep accumulating cash then you will have to give it back to the shareholders in the form of dividend to begin with. Acquisitions we do not have any such targets right now, this space is very small in India as you know, there are not many exciting companies, so that is how it is.
- Moderator:** Thank you. The next question is from the line of Rohit Dokania from B&K Securities, please go ahead.
- Rohit Dokania:** Just one quick question, could you share as to as a percentage of your employee expenses, how much do we pay to the field sales force and to the telemarketers?
- V.S.S. Mani:** 32.41%. The consolidated cost of sales which includes actually payroll to staff and energy, rental cost, overheads, everything.
- Management:** Payroll and incentives should cost around 26% of that.
- Moderator:** Thank you, the next question is from the line of Apoorva Shah from BNP Paribas, please go ahead.
- Apoorva Shah:** I had a question on the mobile apps. Do you have to pay anything to Android or Apple on per download or per user usage basis?
- V.S.S. Mani:** No nothing.
- Moderator:** Thank you, the next question is from the line of Ashish Kacholia from Lucky Investment Managers, please go ahead.
- Ashish Kacholia:** I just wanted to understand whether there is a significant percentage of these value added searches that we offer to our customers, such as the reverse option or where the customer can kind of leave a request and he can be approached. Is there any statistics on that that you can share with us?
- V.S.S. Mani:** Actually speaking if a customer discovers these when he is on the site, so he could either do a 'Best Deal' or a 'Reverse' option or a 'Sent to Mobile', or he can just pick up the phone and dial those numbers. The result is same, basically they are all lead generations for businesses, the difference between 'Reverse' option 'Best Deal' and 'Sent to Mobile', and just dialing a number is if we do a 'Best Deal,' or 'Reverse' option, you get a couple of vendors competing for your business since you tend to get a better deal, and that is what we are trying to educate our users and going forward you will see some kind of exercise on that front, where we will educate our users how to use Justdial effectively particularly to get a better deal.

- Ashish Kacholia:** Yeah, but I am trying to understand from the investors point of view, because these are services which cannot be very easily replicated by a Google. I am just trying to understand what percentage of your Searches come from this value added kind of products which will be hard for anybody else to replicate very quickly?
- V.S.S. Mani:** Most Category Searches result in generating leads. Whether the lead gets generated as just a number dialed by the user or by a 'Sent to Mobile' exercise or 'Reverse' option or things like that, I can give you the numbers. I think Ram does not have the numbers right now. Do you have the numbers overall lead generated through on a daily basis? We get you either off line or next....
- Ashish Kacholia:** Out of this 115 million searches, what numbers translated into lead generation that would be very valuable for us?
- V.S.S. Mani:** We will get you that.
- Moderator:** Thank you. The next question is from the line of Niket Shah from Motilal Oswal, please go ahead.
- Niket Shah:** Just one data point. I just wanted to know how much of the Traffic at the end of Q1 would have come from Google?
- R Krishnamachari:** 80% of the Web Traffic and 30% of the WAP. So 80% of the web traffic including Google Ad Words and search engine optimization and in case of Mobile it is 30% through Google, and rest 70% directly Justdial either through the app or a person directly landing on our mobile site.
- Moderator:** Thank you. The next question is from the line of Akash Manghani from Girik Capital. Please go ahead.
- Akash Manghani:** I had a question on your earlier remark that you made that you slightly changed the business model last quarter and you made it frictionless for the SMEs by reducing the advance that they pay. Could you elaborate on that and if you would not have done that what kind of growth in campaigns would you have achieved?
- V.S.S. Mani:** So what happened was the frictionless model is definitely going to help us increase in the number of campaigns, because as you can see frictionless means more businesses will sign up but we could not reflect those in our last quarter, because we wait till the first cheque is realized from the customer, which as I said takes about 40 days in the case of ECS contracts, and that is why you would see in the next quarter the number of campaigns growing because of the frictionless campaign, but yes, we had an impact last quarter because of this policy.

- Akash Manghani:** Earlier the customer was paying for 3 months in advance and now he is not paying any advance, is that right?
- V.S.S. Mani:** That is right.
- Akash Manghani:** So is this just a short term change you made or you plan to do this for the remainder of ...?
- V.S.S. Mani:** Trying it out and we have our math, so we know how we tend to benefit, so we are keeping track of this, and so far it looks like it is benefitting the company.
- Akash Manghani:** The other thing is your revenue model, one is growth in campaigns and other is realization of our campaign. The second thing is your employee cost is a significant proportion of your cost. So what is the thumb rule if one were to estimate say 2-3 years down the line if you have a certain number of growth in campaigns what could be the employee growth be in terms of number of employees?
- V.S.S. Mani:** The employee growth after maybe a year or two, you will see it being plateaued, and probably you might see a decline also fully in the days to come, because our idea is to get our customers sign for evergreen contracts, self helps kind of service. So self finance and things like that and we are seeing that as the market matures, that is going to happen, but in the near future, you are going to see us spend a lot more on sales activities and increasing our feed on street, there is a lot of benefit there because it not only helps us increase our revenue, but also helps us win a lot more rock solid users because when you actually meet them one-on-one and show them the product, how they can use it as a buyer and how they can use it as a potential lead generation tool for their business, it works really in the benefit of the company and we have actually gone and measured the response from this activity and then compared it with other things like a television campaign, we found that this being paying off much more for us, so you would see there is increase in cost in head count in ...
- Akash Manghani:** On the whole, three years down the line you could not witness a plateauing of employee count or a decline, so that should boost up your margins?
- V.S.S. Mani:** That is right.
- Akash Manghani:** The other thing is that as in the Mobile and Internet Searches are getting more contribution of entire Searches, what is the cost of servicing a Search via Voice vis-à-vis Internet or Mobile or your App?
- V.S.S. Mani:** The App and Web is insignificant actually. Voice it is about Rs.2.70 per call.
- Moderator:** Thank you. As there are no further questions I will now like to hand over the floor back to Mr. Gaurav Malhotra. Over to you.

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

**R Krishnamachari:** Thank you.

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

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