

“Justdial Q1 FY 2016 Earnings Conference Call”

July 28, 2015

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Moderator: Ladies and gentlemen, good day and welcome to Justdial's Q1 FY'16 Earnings Conference Call hosted by Citigroup Global Market India Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Gaurav Malhotra from Citigroup Global Markets India Private Limited. Thank you and over to you Sir!

Gaurav Malhotra: Good evening everyone and welcome to Justdial's Q1 FY'16 earnings call. We have with us the senior management of Justdial including Mr. V.S.S. Mani who is the founder and MD as well as Mr. Ramkumar who is the CFO. Now without taking too much of time I would hand over the call to the management of Justdial. Over to you Sir!

Ramkumar K.: Good evening friends and good morning to people from US and other geographies. Let me begin with the highlights of the results for Q1. Operating revenue increased by about 25% year on year to 169 Crores, sequentially it grew by about 8%. Adjusted operating EBITDA margin grew by about 64% to about 56 Crores and the EBITDA margin levels were at 33% as compared to 25% last year, a growth of about 800 basis points and flat quarter on quarter. Net profit grew by about 18% to 33 Crores.

Now coming to some of the operating metrics for the quarter, we are conducting about 347,000 campaigns as of June 30, an increase of about 25% over previous year. The total number of listing is about 15.3 million and the total number of employees is about 10,700; we added about 1200 employees during the quarter and we have about 25 Search Plus products which are live on the platform. Now, the question that, I am sure all of you have is when are we going to launch Search Plus, it is most likely and we are confident it is going to happen in September. You will hear further on it from Mr. Mani and this is qualitatively a steady quarter for us, normally we have blockbuster; Q4 is our strongest quarter and post that it has been relatively a subdued quarter for us from a sales standpoint. At steady state we are growing, we are expanding geographically and we have added, we have beefed up our sales and marketing team, I would say we look forward to a subsequent quarters where we are hoping that we will end up the year strongly on the topline revenue, so over to you for any questions that you have.

Moderator: We will now begin the question answer session. Our first question is from the line of Sachin Salgoankar from Bank of America. Please go ahead.

Sachin Salgoankar: Thank you for the opportunity. I have two questions both of them are on Search Plus, question number one, Ram you mentioned 25 Search Plus services are live, just wanted to check if you could mention two or three of them which are doing really good as per you guys and secondly if you could help us understand a bit more in detail what are the things which are causing bit of a delay in Search Plus launch and I understand it completely that when you want to launch it you just want to ensure it is proper and it is taking time but would be great if you could talk about some of the things which you are looking to fix and perhaps the rest to the September launch. Thank you.

V.S.S. Mani: So to begin with most of the services we had launched is doing good as far as running smoothly whether it is doctor's appointment, ordering food or even travel services for flight tickets bus ticketing, even hotels, but what we want is when we finally launch a product it should have the UXUI

and in the best of class vertical competition you can actually compare and say, Oh! Wow! this horizontal has delivered something which is like you know comparable to any specialist vertical and that is our endeavor in this whole Search Plus initiative, that's why there is a delay and this definitely we would do it in the month of September and next quarter when we have perhaps you would have used it and you would have more questions to do with the app.

Sachin Salgoankar: Mani thanks for that, I understand all 25 of them are doing good but anything, just two or three of them which you think which has surpassed your expectations so you do think that this is where you guys will have a dominant 70% or 80% share over a period of next two years?

V.S.S. Mani: See nothing surpasses our expectation because that is my expectation, what I have to say is without even any promotion whatsoever and we are getting good traction across product categories, obviously certain categories will have more transactions than others because mere nature of that category as such, so for example, if I get N number of doctors appointment but I cannot get that many hotel bookings in a day, but each one is measured by its own importance and we are pretty happy with it and please do not get into that analysis of Justdial into vertical to vertical comparison, because we are horizontal, our endeavor is to provide one single app for multiple purposes, I think the most important thing is that when the users use it they are able to experience the best of class experience when it comes to any of those verticals and that's when the whole direction changes. Having said that if I give you a number something like 1200 doctors appointments in a day does it satisfy you in any sense.

Sachin Salgoankar: You are the right person to hopefully give us the number.

V.S.S. Mani: It can reach up to 12000 a day, so there is nothing that we can get excited about right now and most important thing right now what we see is we see this market differently as compared to peers and competition. We are not in to the valuation game. We are not in to sum of parts. You will never hear sound bites like that from us. We are focusing on this entire huge opportunity of Internet penetration in India, better quality of internet penetration and we strongly believe we have full conviction there cannot be 50 different apps for a same purpose that is what the current scenario is. You have for pretty much in any vertical you take, at least there are a dozen plus participants that would not be the case, there would be a fatigue there and finally a winner would be somebody like Justdial who has one rock solid app which can cater to all your needs and most importantly be a meaningful internet company which is growing both on revenue and on bottomline.

Sachin Salgoankar: This is very clear. One small follow up question, I mean we have seen a bit of a irrationality in general by some of these verticals and to that matter even the e-tailing horizontals, so what is your view on all that, is this something which will continue for next few years or when do you see this stopping and as the result of it, you guys doing much better from a profitability perspective?

V.S.S. Mani: So long as the money flow is there this party will go on, it all depends on when the money flow stops, because see after all somebody is gaining, so if there is an e-tailer who is providing huge discounts the consumer is gaining, the vendor is benefiting probably I do not know, and perhaps the people funding these companies are also immensely joyed because their topline is growing because the valuation is based on the topline growth and gross GMV, so let the party continue, we are very happy because it gets Indians to get online and get used to online services but we know that sometime or the other the reality has to prevail, business is done for making money not losing money so all these

realities will stare at us and at that time Justdial is probably the only company which is very well prepared for it, because culturally if you pollute your organization by giving away freebies and I am told that there are some companies in online space they are actually shutting their sales department because they find that as a distraction, if that is the culture then it is extremely difficult when the money supply stops to function.

Moderator: Next question is from the line of Taher Badshah from Motilal Oswal Asset Management. Please go ahead.

Pulkit Singhal: Hi, this is Pulkit Singhal here, just a question on the buyback that you had mentioned about, so is the management or the promoter looking to tender his own shares as well?

V.S.S. Mani: Of course, 100% the buyback, the intent of the buyback was to reduce the cash in the company, the buyback is of no other intent, and we have no opinion, no view on our share prices at all. If there is a message that has gone as if JD feels that the share prices should be of a certain price, no not at all, but the point is the whole intent of the buyback is return the money to the investors and investors include all shareholders. At the same time ensure that the promoter shareholding does not change even one bit, the percentage holding continues to be the same.

Pulkit Singhal: In terms of your reported margins without the new Search Plus being launched, effectively over the last five or six quarters the EBITDA margins seem to be capped, so is there a thought process on kind of reinvesting any higher margins in to Search Plus, how are you looking at it?

V.S.S. Mani: Absolutely, if you look at the margins, the current quarter has 33% EBITDA margin if you ask me this question you could have done better definitely but no our focus is not on that, we are investing a lot on all the initiatives that we have taken in not just on Search Plus, we are also ripe and ready to launch a JD omni system which will help businesses to manage their online and offline sales by just plug in play cloud solution, that is ripe and ready, in fact by the next quarter we would have launched it and so we keep investing on these products and as a policy we write off all our expenses, we do not capitalize any of our product development expenses.

Pulkit Singhal: So this 33% margin should remain same for the next two years before your Search Plus gets monetized?

V.S.S. Mani: I do not know, if you want to take one off promotional advertising, marketing spends because when you launch product you need to do all that, if you take that off then yes maybe around on the 30s range yes it should be.

Pulkit Singhal: Should monetization start by FY 2017?

V.S.S. Mani: Honestly, most important thing is to have the users come and transact and vendors enthusiastically participate in it, the monetization will happen as you have seen in the case of companies of Alibaba that they are doing exceedingly well as being a platform, what we believe is it is better to be as a platform then get in to other peoples business and that is our philosophy and we will have to be competitive in the market, so we will definitely never take a hit on the prices but we will definitely see that we are competitive enough that we do not look at short-term gains of growing the profits or the revenues because here the revenues will come from commissions if it is a transaction based stuff,

so we may allow the market to grow, that market share to grow and then we can take a call how to really finally monetize it.

Pulkit Singhal: September you mentioned should be the launch, how confident are you this time, we have been obviously?

V.S.S. Mani: We were confident earlier also, it is a call that we took that the world around us is rapidly changing and we had not paid attention to certain look and feel and UX aspect of the app, we decided there is no point in launching an app when so much difference has happened around us and also we are expecting better quality internet by the end of this year we are hoping that one of those 4G, nationwide 4G operations will start in full swing, so with that quality of internet improving there are certain things that you can actually do not have to think about the bandwidth and design, you can design something slightly better, more richer looking, and a more pleasing to look at that is how the world is today.

Pulkit Singhal: Lastly Sir, 1200 employees you have added, can you just tell us which functions?

V.S.S. Mani: It is a good mix of people who have got added to sales and there is increase in, as I said when we launch Search Plus initiatives we would want to also have it added to our voice services so that it will be a Search Plus experience in voice as well, so there is a large number of people hired there as well and there are support staff for Search Plus initiatives and there is an increase in sales we have almost increased about 650 on the sales force front and about 400 odd people on the service front.

Moderator: Thank you. Our next question is from the line of Arya Sen from Jefferies, please go ahead.

Arya Sen: Good evening Sir, firstly on the interface could you give us some color on what would be the main changes in the interface that you are looking to make when you launch Search Plus?

V.S.S. Mani: If you are a just dial app user you will see a complete dramatic change.

Arya Sen: But it is yet to come, because from what I can see today there does not seem to be very significant change. There will be something coming right. Is that how we should look at it?

V.S.S. Mani: I never said there would be a launch test?

Arya Sen: What is the philosophy behind the new interface that you are looking to?

V.S.S. Mani: I think we will take more questions after launching the product. We are going to have an investor day.

Arya Sen: Okay, fair enough.

V.S.S. Mani: Actually we will launch it on investor day. I will call all analysts and hopefully in the month of September as early as possible and then we will have a lot of questions on that particular day.

Arya Sen: Fair enough. Secondly I think in the fourth quarter, you had said that you will be looking to add about 1500 to 1600 employees this year given that you have already added almost close to 1200 in the first quarter itself does that number go up for the rest of the year?

V.S.S. Mani: These things really depends on from time to time how we kind of look at it and there are lots of interesting way we are looking at monetization model, so it will all depend, in the next couple of quarters we will get far more clarity, I am not able to really comment on this right now.

Arya Sen: Thirdly sir, what is the update on JD Cash, when can we expect?

V.S.S. Mani: JD app relies on exhaustive profile section. The profile section is unusually very different one from most apps and that has got very rich content and JD Cash is largely dependent on the profile section. So, once we launch the JD app, which we have been talking about the multipurpose app by next month end or in September that is when we will have the JD Cash thing go live, so hopefully the next quarter after that we will have JD Cash go live.

Arya Sen: Last question from my side. When will the buyback begin? What is the date for that?

Ramkumar K.: It should be anytime because we are just waiting for the RBI approval which should come anytime in the next few days and post that within a month or two we should be able to complete the buyback?

V.S.S. Mani: It should be anytime, because we have just waiting for the RBI approval which should come anytime in the next few days and post that within the month or two we should be able to complete the buyback.

Moderator: Thank you. Our next question from the line of Saurabh Kumar from JP Morgan, please go ahead.

Saurabh Kumar: Hi Sir. My question was essentially on listing business, so the listing growth is 9% this year. Can you just comment on what you expect as a full year number and the related question there is again the paid advertisers are going at 25% and revenue is also 25% growth, so do you have any pricing flexibility around that or no? I mean basically growing inline with volume growth, there seems to be no pricing improvement happening?

V.S.S. Mani: It is not really so, because when you expand your market you need to go to tier 2, tier 3 cities where obviously you cannot have the tier prices applying there, but the numbers will add on there, but the tier 1 guys are paying for more may be 3x, 4x what they paid in five, six years back, four years back may be, so that growth is there. It is both added in the number and the value. Unfortunately if you open up new markets and add on more and more customers you will have these things skewed and sometimes the numbers will pull down the average, sometimes the value will pull off the averages, we are not worried about it as far as overall pie grows and as far the listings is concerned there has been a lot of concerted effort to grow in the listings and we paused it for last quarter and we will restart it again and when we do that you will see another growth in the number of listings.

Saurabh Kumar: Okay, so this number should we go back to doing some 18%, 20% kind of growth or?

V.S.S. Mani: It is quite possible, so it is possible that a large part of India is still untapped, there are large tracks we would probably be able to add more. It is a continuous process. I think it is not yet the saturation point.

Ramkumar K.: Lastly year was a very special initiative that we did to significantly ramp up we expect every year to do it, it is a call that we take as Mani mentioned the numbers will grow as we move forward.

Saurabh Kumar: Just one part of question on this competition from Ask Me, they are doing a lot of TV ads and at least the share on visible advertising seems to be slightly better, what would your incremental share in the listing business be, if you track that number?

V.S.S. Mani: I do not know if you are tracking any company other than Justdial but we are not seeing any significant impact of any competition whatever you are talking about and the market is so big,

everybody has their own thing, but I am told they are more focusing on e-commerce than anything to do with local search, so I think we rather not discuss it because right now as you see 99.9% of our revenue is from search engine monetization.

Moderator: Thank you. Next question is from the line of Sandeep Muthungi from India Infoline. Please go ahead.

Sandeep Muthungi: Good evening. Thanks for taking my question. I wanted to dig a bit deeper in to the transaction number for the quarter, the campaign number and the pricing. I believe in the tier 1 markets it would primarily be the realization growth and in the tier 2 markets it would be primarily the number of campaigns that are going up, if you could give us some color into the campaign growth that you are seeing in the tier 1 markets and usual price inflation that is happening it will great?

Ramkumar K.: Very difficult for us to quantify what is the price increase overall. Tier 1 market itself is so huge. We have within tier 1 market itself we have various tiers which will impact the average realization or again say if the overall revenue is growing at 25, the non top 11 cities are growing by more than 70% and the top 11 or the top, I would say the top 5 cities itself is growing about anywhere between about 20% to 22%, so I would say it is a good mix of growth which is coming from both tier 1 and remote cities, obviously because of the scale of the tier 1 the growth is lower than average. That is what is getting reflected both in the number of campaign as well as in the AVPC.

Sandeep Muthungi: Thanks. I just had one more question for Mani. I wanted to get your thoughts a bit on the acquisitions that you are definitely diversifying and there is a lot of activity on the tech that you are doing the cloud platform, the transaction platform lots of staff. Would you consider any good tech or related acquisitions to kind of move faster on the space or acquisitions are not on your mind right now?

V.S.S. Mani: We definitely looked at it about couple of quarters back. We looked at several opportunities, but it is not like we are very excited about this space right now because this is not much of really I would say high quality companies out there to really go and acquire right now at this stage, maybe two years down the line. I think for the next two years it will shut. As far as technology is concerned, we are always on the lookout, if somebody has got a superior technology which can help us time to market we will definitely go for that at the right price.

Moderator: Thank you. Next question is from the line of Rajeev Sharma from HSBC. Please go ahead.

Rajeev Sharma: Thank you very much for the opportunity, just few questions from my side. I wanted to know number of pin odes currently you are catering to?

V.S.S. Mani: We are catering to entire length and breadth of the country. We only monetize perhaps 1300 of those pin codes right now.

Ramkumar K.: India has 34000 pin codes.

V.S.S. Mani: 98% of our revenues come from top 1300.

Rajeev Sharma: Will this anyhow change with Search Plus?

V.S.S. Mani: It can change with better internet penetration for sure and Search Plus is largely dependent on internet penetration.

Rajeev Sharma: This delay in launch of Search Plus has been not going well with some of the investors getting reflected in stock price. What are the chances of further delay by another month or two months?

V.S.S. Mani: I do not know what exactly investors as such are expecting. If I was an investor I would want to judge JD whether they can execute. It is expecting some miracle to happen with the launch of the product, I would rather warn people that it is nothing like that, there would but it is nothing like that, it would not any miracle, but yes if you see the product you would really love it. You would love to engage yourself more with it and that shows a very promising future for JD in the right direction.

Rajeev Sharma: Okay. You do not feel that there are chances of further delay here?

V.S.S. Mani: It is really immaterial. There will not be a delay for sure this time, but that is really immaterial how much of a delay or how early we do it, end of the day we have to be winners and we have this habit of winning where the last 20 years we have been a leading company in our own space and we have changed our avatars, we have become something, we actually transform every two years and whatever we do it, we have done it with rock solid methods and so we do not want to get it wrong and we do not want to disappoint our own team, so that is the whole idea. We would definitely launch a product which will be really user friendly and people will love to use it and engage more with it, apart the fact the users the vendors as well. See, we are a transparent company, even when you do an online sales on JD you have a choice to go to the vendor directly, you will have direction maps for that, you can also buy online through us and we are quite transparent in that way and transparency will continue.

Rajeev Sharma: I was just trying to understand that you started some experiment on the hyper local delivery, so do you think that you will extend it significantly or you will keep it at very low levels and also other than the fact that you will be an apps kind of thing what other source of differentiation you will have versus the various verticals which are there and the last thing do you think your marketing spends and if you can just again repeat what is that number planned from September onwards, is that enough because now these verticals are doing a lot of print media ads, I understand one grocery app has tied up every Sunday so that users do not go to stores and with all these ideas and creatives behind, so what does this mean for your ad spends?

V.S.S. Mani: The world's best internet products are rarely advertised and those are the products we use on a day-to-day life. You take Google, Facebook, LinkedIn and list is long. I think internet will forever remain to be how good or how rock-solid is your product, not by advertising. You can always buy your revenues, but not buy revenues forever. Now to answer your question, I really got lost in your multiple questions, can you just jog my memory on the first question, and then I probably take a second question.

Rajeev Sharma: It was on the source of differentiation and your hyper local delivery thing?

V.S.S. Mani: Differentiation JD has on board is we say hey we are a price discovery, products discovery engine. So when you get onto price discovery, we only think of our user interest that is the person using the app. What is the best interest for him? For example, if there are three online stores they offer better prices than our offline vendor we will position those online stores visibly on our app, so you as a user will come to JD, will get see to the offers from the online stores as well as offline stores and you decide

where to shop from. So that is the big differentiator and even if you do not make money, will continue to do that because that is what the user want. We do not want to lose the user. We want to impress the user with the best and we put ourselves in the user shoes and of course it is always proven that if you can attract traffic finally you can monetize it and more successfully internet properties are built that way, so the most important thing is keep the users interest all the time and we will be able to do it. Secondly, we believe that we should never ever dole out cash, we do not take any hits and we will continue to be a disciplined company, so whatever we do we will find them the right match, the cheapest place to buy from, but we will not take a hit. So that is the second approach of JD which will help us to have rock solid culture. So, even when the whole world changes, the money supply to those companies changes they all have to change their culture, but we do not have, we will continue to be a rock solid company.

Rajeev Sharma:

On the hyper local front?

V.S.S. Mani:

On the hyper local front, as far as fulfilment is concerned there are various type of products and services where you buy. There are certain products where there is an instant gratification that is something like on-demand experience that you want, for example, if you are buying groceries, medicines, fruits and vegetables and restaurant and all that thing so there we are putting in the best of technology and our own manpower to get into the fulfilment site, which is called a hyper local fulfilment and that of course we will do and will do very aggressively across India. On the other products which is like for example if you are buying television or an electronic product and there we leave largely to the vendor to do the logistic bit and he delivers expensive product it is better that he actually delivers and collects money almost in some cases, we would have collected the money online. In the third variety, which is could be remote vendor selling it to a remote customer there we will use third party logistic, the best of class logistic company integrated into our shop online experience, so you will see all three of them as far as the logistic requirement is concerned. It depends on from nature of the transactions.

Rajeev Sharma:

So this hyper local where you will expand in instant gratification it will be on your payroll or it will be outsourced?

V.S.S. Mani:

It will initially start with our payrolls and eventually it has to be outsourced, because you need large number of people to do the stuff, it will be efficiently run outsource which is more controlled by technology.

Rajeev Sharma:

Have you started hiring from same?

V.S.S. Mani:

We are in the process.

Rajeev Sharma:

Any plan as to what size you are looking at in terms of that team?

V.S.S. Mani:

Most important is to get the thing stuff right, so you probably would focus on four or five codes and then get it right, efficient and then you replicate that in the rest of India and at that time you think of the right method. All I can say is probably we will not end up hiring so many people but we will definitely have a wow experience for the users.

Moderator:

Thank you. Next question is from the line of Sandeep Agarwal from Edelweiss. Please go ahead.

Sandeep Agarwal: Hi Mani. Congrats on the quarter. I have a little question like an analyst and please bear with me not businessman question. I just wanted to know the way we are transitioning into the Search Plus model. I believe there will be a period of transition when probably there will be some cannibalization of the revenues also, so do you think that cannibalization may bring in a scenario where we will probably decelerate at the pace of growth in next two years in between versus our current growth rate or do you think that the Search Plus will be more than able to compensate and there will be no deceleration kind of scenario. I am not asking for the specific guidance, but what is your thought in this?

V.S.S. Mani: Historically whether it is cannibalization of revenue or cannibalization of traffic, we have always done what is best for our users because you cannot only think about your short term revenue and lose complete market share in the long term. So, we are fully aware if there are initiatives that we have taken, if that is cannibalization of revenue or not, but if that really, really demands that we have to really go and satisfy the users, we do not mind losing some revenue for the users that is how we can grow and become both users and the revenue.

Moderator: Thank you. Next question is from the line of Niket Shah from Motilal Oswal Asset Management. Please go ahead.

Niket Shah: Hi Mani. I just wanted to understand, you have added around 1200 people in Q1 and broadly would be adding closed to 1500 people in this year. Does a nature of search engine business that we have requires to add 1200 people or 1500 people every year to grow at 25% or there will be a time where you might see 25% growth with lesser number of people being added?

V.S.S. Mani: I repeat again. We all are waiting for better internet penetration and basically all of us, the users, vendors everybody is living, eating, sleeping, breathing internet and that is not yet happened, so lot of things has to be hand-older, there are so many things to be done, the people are not getting used to themselves and as you know most of our revenues come from small medium businesses, they are still very early stage of adopting internet to the hilt as far as self service is concerned, there is at least couple of years if not three years behind. So that is all the scenario is. So on the sales side we would definitely add more feet on street to sell our products because as they get more show and tell. As far as support is concerned, the Search Plus support initially you required and after a point it becomes automated. A large percentage of work that we are now kind of executing having an army of people to ensure that the user experience is as it should be that will change, because once the vendor adopts to a certain level then there is no need for following up with them for fulfillment of orders and stuff like that. So you will see that head count gradually decreasing, but I cannot say in the near term.

Niket Shah: And this 1200 people would safe to assume that you would also have hired a large amount of people for Search Plus some of this causes also sun tended, is that a safe assumption?

V.S.S. Mani: Almost of it is gone into for sales and Search Plus initiatives.

Niket Shah: Okay, got it.

V.S.S. Mani: There are a lot of it (**indiscernible**) 35.13 you are right.

Niket Shah: Got it. Just one curious question, any specific reason on the buyback part, any specific reason why we have chosen to do buyback of shares through a tender process and not through market purchase?

V.S.S. Mani: Honestly the buyback was intent to return cash to investors. We have close to, Rs.900 odd Crores of cash and there was a good chance that we make some mistake or buying something silly and as you have seen in the past many companies have done that and we had taken a call a quarter before that we would not look at buying any of the online companies right now, because it is nothing substantial in that, it is all fickle market shares they have, they stop advertising they do not have the market share. So we said let us not focus on acquiring acquisitions, let us return the money to the investors. So, there are certain efficient ways of returning money to investor and we thought this is a better way to do it.

Niket Shah: Sure and final question on ad spend, would it be possible for you to give a broad number on ad spend this year given the fact that you are so close now as far as spending your money on advertisement is concerned for Search Plus?

V.S.S. Mani: We have already said that we would spend Rs.100 Crores on advertising promoting this whole product and which is by our standard is a very, very large sum. It is equally important is the product has to be really superb and we have to really score a high 80, 85 out of 100 and that is when we actually bump up to inorganic spend. So we are not in a hurry honestly speaking, we want to get it right that is most important for us.

Niket Shah: Would it be possible for you to share some other traffic growth matrixes or the unique growth visitor matrix?

V.S.S. Mani: We have grown about 33% on traffics. Ram you have?

Ramkumar K.: We will share shortly the numbers whether it is unique visitor visits or searches.

V.S.S. Mani: Overall traffic has grown by 33%.

Ramkumar K.: We will share some numbers in the near quarter.

Moderator: Thank you. Next question is from the line of Ashwin Mehta from Nomura. Please go ahead.

Ashwin Mehta: Thanks for the opportunity. Mani, I just wanted to check in terms of what you talked in the press release about investing in back-end infrastructure, is it different from the UX, UY related work that you are talking about and what areas on the back-end infrastructure are you currently investing in?

V.S.S. Mani: You are talking about the logistic fulfillment or you are talking about the Omni system for vendors?

Ashwin Mehta: Omni system for the vendors basically what is happening on the vendor side?

V.S.S. Mani: So Omni systems for the vendors when we rolled out our Search Plus products, we actually learned a lot and one of the main thing that we learnt is that SMBs do not operate with state-of-art technology. So it was quite important for us to provide them a technology which will help them actually face the online competition to be honest, as enablers we always think for our vendors differently and we felt that they would probably lose their market share to online players, so hence we thought that of a cloud hosted solution which can help them manage their offline and online business through one Omni system and that is what we built and that is what we are rolling out this August and you would see more and more businesses will move from their existing system and use our plug and play which will help them manage their inventory, billing and also have third party logistic built into it and most importantly they would be able to control their both online and offline business through a small

device like a cellphone may be have a dashboard and by the minute you know what is the revenue sales, it is also integrated with barcoding system and all that QR codes and stuff like that.

Ashwin Mehta:

Okay. Second thing is in terms of your platform it seems to be also shaping up as more like a metasearch platform with almost 10 of your services currently being driven by third party platform. So how has the traction been with using third party platforms and are you seeing interest from other vertical platforms to tie up especially if they do not want to spend as heavily or if the tying up will be synergistic for them?

V.S.S. Mani:

So, honestly if you think from user perspective, the user wants choice and he wants choice if there is multiple providers for the same product he wants to know what are the different prices. So we cannot ignore that, so may be it is possible that we get more and more meta across category sites, but monetization will continue to remain the same either when we give this business we earn commissions or we have premium listings and that would continue, but we will never compromise on the user requirement and that is going to be for sure and anybody is welcome to come and participate with us, if all the online furniture companies want to show case their products on JD we would be happy to do that. If all the online child related company shopping sites want to come and partner with us everybody is welcome and that is what you would see in that coming quarters, you will see more and more online participants and offline participants. The beauty here will be like if you search for something like a crib for a baby you would actually have different looking cribs and you will have online players and offline players, there could be somebody few kilometers away from you who would probably deliver it in the next two hours and that is the beauty about it. What we are building in something of that nature.

Ashwin Mehta:

Okay and just the last thing in terms of your core search business, over the course of the year, do you think growth to largely sustain in these ranges or there is an expectation that some of the pricing might kick in and growth could approve from where it is?

V.S.S. Mani:

Overall, as you make it more and more attractive with more features added, the core search will get more and more attractive. So, with Search Plus in search will definitely become a very important growth area for core search and also you must remember that we have been in the past more of a destination where people used to come to us when they did not know or where to find you know, but with this Search Plus initiative there could be something that you know where it is, but then you still come to JD because of the convenience, because of the choice price and all those things and then you actually engage yourself more and more, obviously each one of those actions result into search and transaction and that is how it is going to be. I am very excited about the future of the company.

Moderator:

Thank you. Next question is from the line of Shreyas Dewalkar from BNP Paribas. Please go ahead.

Shreyas Dewalkar:

Thanks for taking my question. I just have three questions, so firstly on the technological capability, the point is out of your 10,000 odd employee team, how many would be in the technical or technology area and considering these area is so hot today, how difficult is to retain the talent and what would be the attrition in that?

V.S.S. Mani:

We employ about 500 odd people in the technology department, but you do not really need that many heads who do as compared to you need the feet on street to sell and the support staff and like that but

we are going to continuously increase these numbers in the next coming years as you know we are building a campus in Bangalore which will be catering to a large accommodating more number of people for the technology side. Yes, that is one area we do not want to be ignore.

Shreyas Dewalkar: Are we seeing attrition in this especially?

V.S.S. Mani: Very minimal. In fact it is such that if a person spends about eight months to one year with us they rarely quit our job, if there is any attrition that is at a very early stage.

Shreyas Dewalkar: Secondly, around vendor education actually when you say you have 15.3 million visitors, I do not know how many of them would be interested in giving a Search Plus services. So assuming you have 4 lakh lead campaign that is the number I do not know how many of them actually are going to give Search Plus services, but how do you educate them to give this kind of services, because what I understand that certain other companies are actually trying to employ third party IT educated companies who can give training to these guys, so anything of that sort you need to you or how to implement this basically?

V.S.S. Mani: As far as Search Plus is concerned anybody doing business out there want to be part of the Search Plus. Basically what is Search Plus. Here is a customer, this is his order go and fulfil it. So, even a paanwala would be happy to do it. Okay, all he has to know is, where he has to do it and if he is getting paid for the delivery. It is as simple with that. As far as consumer is concerned, he is also excited because it saves him time and sometimes money, sometimes it is convenience, so both ways it is going to work for the user and for the vendors. As far as adoption is concerned, it is only a matter of time, did we expect this all community of people accepting smart phones the way it is today. Three years back we never thought like so many million Indians would be using Whatsapp, but everybody today you know that most people are in Whatsapp. So this is something like you would see that as anybody educates whether we educate or any of the other people in the industry educate, it is going to benefit the industry as such. Any amount of education is less most important is to actually to motivate them to really respond to those orders because they should not look at that as the small number today, because that is the number which is going to grow at a rapid pace which is what we are trying to sensitize them about this whole opportunity online is so huge if they ignore it, they will actually see a degrowth in that business.

Shreyas Dewalkar: Thirdly is about the expectations currently, the expectation from Justdial website is different while when we will use it for customer fulfilment, at that time the customer expectations are different and they are fed by Flipkart and other competitors of the world Grofor etc. The point here is what is happening is in your case since the fulfillment is not by Justdial so I will give you few example. So if you take grocery shopping or hotel booking, so in restaurant if the restaurant may use your service only for during non-peak time while in peak time he may choose to ignore orders come through Justdial. In case of electronics, some of the vendors, what they try to do it is they give a lesser quote and just to direct a call to them and after calling them they may say that no, I do not have these but why would not you buy these so that at least you attract the customer to him. So there can be misuse of the service and within this what will happen is whether it can affect your positioning as a fulfillment app?

V.S.S. Mani: When was the last time you used our product, you must go now and check it out, you can buy any electronic product with just a single click and you will have a fulfillment, just the other day I had a gentleman from one of the analyst who had written to me a mail saying that look, I had to buy this product, I checked in the most obvious online site and they had four day five day delivery, so I actually needed iPhone immediately and at 10 o'clock at this gentleman places an order for the iPhone. At 2 p.m. in the afternoon the iPhone is delivered not just the phone but along with that the accessories and the works and he says coincidentally what a world, he said, it was 500 rupees lesser than one of the online sites, so unless you try it, you can just go and imagine fantasize and say whatever you want. If you put yourself into an Indian entrepreneur if you understand an Indian entrepreneur is the most enthusiastic guy in the world, he is the guy that entrepreneurship is what is delivering that one strip of medicine at your doorstep in the middle of the night without a service cost, how can you discount that and that is something that if you want to create and hype about it I would say, oh! They all do not know how to do business and there was a time when most of these companies were saying oh! We are going to have a large warehouse and that scale will help us get a better pricing for our consumers. Today, they all say no, no we are not an e-commerce company, and we are market place. We do not have any more warehouses and some of them are saying that no, no we would say third party logistics to fulfill. It will be soon a time when the demand will be so consumer expectation will be like on demand they would say, oh! Let the vendor itself execute the order. This is common trend. I have been saying this for a year and a half and now that is exactly playing out. It is only one more year of time, you would see everything crystal clear because the supply of money will be less there will be larger demand on growth and there will be slowing down of growth because there is no end to freebies and cash backs and stuff like that. One guy stops the other guy starts, so there will be thresh around these companies, so eventually they will realize that it is better to be a market place, it is better to look at what is best for the customers, if the vendor is right next door and he can deliver fast in the next one hour why do we have to take the headache of logistics.

Shreyas Dewalkar: Incidentally, I have used some of your services and at least experience in some of them is really good.

V.S.S. Mani: Please go and buy something today and the bill will be taken care by us.

Moderator: Thank you. Our next question is from the line of Ajay Nandanwar from Hornbill Capital. Please go ahead.

Ajay Nandanwar: Good afternoon and thanks for the opportunity. Well I have the offer stands for all of us not just previous participant, but mostly I had the question about your other expense breakdown this quarter obviously you have achieved some savings there and specifically what ad spend in Q1 as compared to last year?

Ramkumar K.: So we spent about 6.5 Crores in advertising and promotion against 8 Crores last year same quarter.

Ajay Nandanwar: What is the other reasons out of you, is that the key reason why your other expense has declined?

Ramkumar K.: Last year we had this spent on data acquisition which we spent about 4 Crores rupees last year which did not happen this quarter.

Ajay Nandanwar: What is your cash and investment position in Q1?

Ramkumar K.: 900 plus Crores.

Ajay Nandanwar: 900 plus, so it is sort of flat with Q4?

Ramkumar K.: About 920 or so.

Moderator: Thank you. Next question is from the line of Srinivas Sheshadri from Antique Stock Broking. Please go ahead.

Srinivas Sheshadri: Thanks for the opportunity. First is for Mr. Mani just following on previous questions also, given that there is a lot of activity happening around tier 1 markets in some of the categories, which may have been traditionally relying on Justdial as an advertising medium, so it could be either the SMBs looking at alternative kind of platforms or SMB business is getting threatened by organized online players whichever way, are there specific categories in your portfolio where you see some kind of revenue attrition or a slowdown in the revenue growth in tier 1 cities especially, if you can throw some light on it and I suppose that will depend on Search Plus to get launched in a way for us to kind of neutralize the competitive threat, so if you can just talk about it in broader terms and if there are specific verticals you can highlight that will be great?

V.S.S. Mani: So no single category contributes to more than 3% of our revenue, so any of the most mature vertical at the most can dent the 3% revenue, secondly that 3% revenue has grown despite whatever the competition set up there in the market, which means that there is something that we are continuing to deliver, which is where those people are having faith and trust on us in spending money with us. This includes sections like restaurant, sections like doctors, sections like anything that you take we only grown in these categories and grown in substantial growth. So the point here is Search Plus is more about the user experience, the vendor is motivated, the service provided is motivated whether business comes through A, B, C or X, Y, Z site. The key is to get the user a wow experience where one place can do multiple things, it is absolutely mandatory for JD whether there is competition or not we have to go the Search Plus way.

Srinivas Sheshadri: Right sir I understand that part. So basically while we were growing at around 30%, which has come off for couple of quarters would you attributed them to perhaps base effects in terms of large revenue base or large some kind of market being may be not as receptive to growth.

V.S.S. Mani: Most disappointing thing is the internet penetration, I would be very forthright, it has not gone anywhere honestly speaking, although the devices have become smarter, you would have experience on a daily basis is you would not get a decent 3G internet where you are moving from one place to the other, it is largely dependent on broad-band connectivity and wi-fi, so that has to change. If that does not change, the ecosystem does not change you cannot have huge increase, secondly you have to remember that we are a company growing a top line and the bottom line. We are not doling away cash. If JD has to become a #1 player in a space we can also give away cash definitely we can spend all the 1000 Crores we have and raise another couple of 1000 to do that, those are not the method that we believe in, so I think once the internet penetration get to a point you would definitely see that we would see a phenomenal response from users and vendors.

Srinivas Sheshadri: Alright great, just one small bookkeeping question for Ram. Ram, this quarter the treasury income has been fairly low relative to the cash balance, can you just throw some light on it and what do you expect on a full year basis in terms of yields on treasury?

Ramkumar K.: Again treasury what we book will be dependent on how efficiently we manage the tax part of it. We have unrealized incomes sitting in the books, we can book profit, but then we have to pay taxes; hence, whatever we do will do it tax efficiently and the overall treasure income for the year similarly will be in line with what we did in the previous year.

Srinivas Sheshadri: In absolute terms or in yield terms?

Ramkumar K.: I am telling in absolute terms.

Srinivas Sheshadri: This is after the kind of the cash outgo on the treasury on the stock purchase, repurchase.

Moderator: Our next question is from the line of Rishi Jhunjhunwala from Goldman Sachs. Please go ahead.

Rishi Jhunjhunwala: Thanks for the opportunity. A couple of questions from my side. One can you give some color on how is the churn rate right now in your overall listing base as well as on your active campaigns and have there been any incremental focus around reducing that considering that I mean on the listing base there will be a base effect that will start playing out for the fact that the penetration in internet is not risen as much and as a result more focus has to be on how many of the campaigns end up paying?

V.S.S. Mani: The internet thing was just about the story, the opportunity is so huge but infrastructure is a bit disappointing that is what I meant, as far as the campaigns are concerned we are growing still at a decent pace, we are not that very disappointed, we have grown almost 25% between last year and this year, the number of key businesses, which are paying this money.

Rishi Jhunjhunwala: What has been the churn rate in both these overall listings and active campaign?

V.S.S. Mani: Churn is almost constant for the last 10 years. I think that is the very typical SMV behavior with respect of any such thing they do and we have repaced at 18% of mortality and 23 odd percent of people dropout, I do not know Ram probably will have the accurate numbers.

Ramkumar K.: So the overall attrition is about 40%, 44% which has been quite consistent. We have not seen any material change in that tax rate because as Mani rightly mentioned it all depends on the mindset of the SME or the SME psyche. So we do not break our head, so the mortality part of it, yes Mani you are right about 20% of that is attributable to the mortality and the balance is what we call small business behavior. So that has not changed.

V.S.S. Mani: And they may just come back after a few years or few months and also that is constant behavior of SME.

Rishi Jhunjhunwala: Understood and secondly, bit on different kinds of monetization so apart from listing revenues that you get and potentially something that you will start getting yours time from Search Plus are you actively looking at any other forms of monetization and a followup to that I mean you have 15 million listing base on businesses side, I am assuming you have more than 25, 30 million customers as well, so from a data perspective you have massive database around not just consumer behavior, but also how the businesses are behaving, any plans of looking at either monetizing that or using that because I believe that is something which has great value as well?

V.S.S. Mani: We have resisted from doing that for the last so many years, anything unsolicited Justdial does not do, it is always solicited only and as far as revenue source are concerned, yes you would see a lot of revenue coming from new products, one good example is the Omni system that we are talking about

that would be a far most key revenue because there is more to do with running a business, so it is like a mini ERP solution, so once businesses sign in they would not want to migrate to another system because they get used to it, they do not pay much to be part of it on a monthly basis, so that is a huge revenue opportunity for us and you would also see other revenue areas like EShop and Search Plus commissions and cross promotions and competitors listing and so many others.

Moderator: Ladies and gentlemen that was the last question; I would now like to hand the floor back to the management for closing comments. Over to you Sir!

Ramkumar K.: Thank you friends as I mentioned earlier in the call it was another steady quarter and we are hopeful and confident that we will end the year strongly and look forward to strong subsequent quarters.

Moderator: Thank you very much Sir. On behalf of Citigroup Global Markets India Private Limited that concludes the conference call. Thank you for joining us and you may now disconnect your lines.