



## “JustDial 4QFY14 Results Conference Call”

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**Moderator** Ladies and gentlemen, good day and welcome to the JustDial's 4QFY14 Results Earnings hosted by Citigroup Global Markets India Private Limited. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Malhotra of Citi Group Global Markets. Thank you and over to you Mr. Malhotra.

**Gaurav Malhotra** Thanks Mallika. Good evening everyone. Welcome to JustDial Fourth Quarter FY14 Results Conference Call. We are pleased to host the management of JustDial on this call and today we have with us Mr. V. S. S. Mani – Founder and CEO, Mr. Ram Kumar – the CFO and the Senior Team of JustDial. Without taking too much time I will hand over the call to the management for initial remarks after which you will have the Q&A session. Over to you.

**Ramkumar Krishnamachari** Good evening friends and welcome to this analyst call. My name is Ram Kumar. So let me begin by giving you overview of the financials for the quarter Q4FY 2014.

Starting with operating revenue. Our revenue grew by 26% to 124.21 over previous years with operating EBITDA increased by 37% to Rs. 37.38 crores, operating EBITDA margin increased to 30% as compared to 28% in the previous years and net profit increased by 60% to Rs. 34.15 crores. Our net profit margins show that 25% for the quarter as compared to 20% in the previous years. Now coming to the full year numbers, our operating revenue increased by 27% to Rs. 461.29 crores as compared to Rs. 362 crores previous year. Operating EBITDA increased by 41% to Rs. 142.2 crores as compared to Rs. 100.70 crores previous year. EBITDA margin increased by about 300 basis point to 31% that is compared to 28%, net profit increased by 76% to Rs. 120.62 crores as compared to Rs. 68 crores on the back of good amount of other investment income that we earned this year. The cash and the investment totaling is there at Rs. 663 crores as compared to Rs. 510 crores in the previous year.

Just to give you perspective on the revenue side in the quarter as well as the previous year – so as we mentioned in the earlier call as well the focus has been on driving up growth on the revenue side augmenting the sales force and we did pricing action on Q3 in December and all the initiatives have seen as giving us results and that has reflected in the Q4 top line growth and we will continue to witness that similar trend as we move forward. Coming to the margin side we have grown year on year 300 basis point as I mentioned. The focus has been more on allocating and investing in the right areas and this year we had invested in the manpower, our overall manpower grew increased about 1000 people as compared to earlier year. Focus has been mainly on adding the sales force as well as the making up the technology team and what have been reflected in the margin growth has been the operating leverage and we continue to maintain the fact that increasing number of search happening on the internet and the fact that we have good amount of operating leverage inherent in the business model that enables us to

sort of work around with our investment and maintain the good EBITDA margin that we have demonstrated.

Now coming to the search and operating matrix overall for the quarter Q4 – the search, overall traffic or the search group by 38%, mobile internet grew 126%. We have seen that increasing contributing and increasing traffic coming through the mobile platform which is reflecting what is happening in the echo system overall with more and more search coming through the mobile platform. For the year FY14 we hit the billion mark as far as the number of searches is concerned. It grew 44% overall with mobile growing by about 183%. So we are quite excited by the fact that the way the echo system is shaping up and the fact that our app continues to witness the healthy download and people once they download the app, they stop calling us and that becomes sort of an addictive process as far as usage is concerned. On the number of campaign we ended the year with about 262,000 campaigns, overall growth of about 27% and we have done a good amount of work on the overall database and listing which enabled us to grow our overall database to 11.8 million about a 30% growth. We have done number of initiative in augmenting the overall database and spreading the breadth and depth of database which has resulted in this good growth and we continue to see this trend as we move forward.

As far as the number of employees is concerned we had about 8543 employees and increased of 1000 odd people over the previous year. On the search plus we have number of search plus services which are live on our platform today more than about 17 such services live and most important we have very recently launched the price discovery service which is quite unique. We will get into that over the course of the call and also in this quarter we launched our JD maps. Essentially we got out of the Google echo system as far as maps is concerned and this is our own version of the map and we continue to engage with the user more and more on to our platform and get out of the goggle echo system. So this is overall the financials and the other business development.

We will be more than happy to answer and take up any of your questions that you might have. Thank you.

**Moderator**

Thank you very much sir. Ladies & gentlemen, we will now begin the question and answer session. The first question is from line of Jignesh Kamani from Nirmal Bang. Please go ahead.

**Jignesh Kamani**

Just want to understand the price hike part. As you mentioned that you took a price hike on third quarter, so when I was talking to one of the sales executives he said last year price was Rs. 299 per week which is close to around Rs. 1200 per year. Right now as you were saying it is close to around Rs. 2000 per month you can say in Mumbai region which indicates close to around 50% to 60% price hike. So is this quantum of price that high or tell us something about what kind of price hike you have taken.

- V. S. S. Mani** There are two kinds of products JustDial has. One is a premium listing that is getting grant in a premium position of the search engine that is driven totally by the search, there is a pricing engine and there was a correction as Ram mentioned and that correction would have impacted to an additional 20 odd percent increase in the yield per platinum and diamond contract as Ram you can correct me if I am wrong.
- Ramkumar Krishnamachari** Yes you are right Mani.
- V. S. S. Mani** And as far as the entry level campaigns are concerned which are the non-premium ones we have mixed strategies depending on the Tier1, Tier-2, Tier-3 cities. Our idea is to grow the number of advertisers, hence we also have least entry barriers like, we keep packages at low price so that people can test our services and then once they see the effectiveness of it they come back and spend more money with us. So I would not be able to comment exactly on this Rs. 2000 per month that you are referring to in Mumbai. Ram or Sreeni if you want to specifically talk about that but I can only say that we have a wide range. We still have pricing as low as something like Rs. 500 per month for a Tier-4, Tier-3 cities which is like much smaller and the scope of advertisers benefiting from the listing is much low compared to a large city. So you would have ranges as low as Rs. 500 per week, per month as high as any amount you have.
- Jignesh Kamani** But in the same to same market like Mumbai or you can say Delhi which is the key market, what is the quantum of price hike in the non-premium category?
- V. S. S. Mani** Non-premium I do not think. We only have certain intelligent strategies like you know we have certain kind of discrimination when it comes to depending on the key words, depending on the business nature like for example if you are a chemist in Mumbai you may be able to even pay as low as Rs. 1000 a month and be part of JustDial campaign but if you are a mover and packer it is quite likely that you will be asking much above Rs. 2000 a month.
- Jignesh Kamani** And on the second hand can you throw some light right now you can say number of establishment for the SME on the ways like doctor's appointment, restaurant, and other things and how that investments happen?
- V. S. S. Mani** Can you repeat it because I just.
- Jignesh Kamani** Last year we have we are closer on 75,000 to 85,000 establishment in the search plus platform on third quarter. How has the rate movement happened, how many restaurants we have tied up, digitized, how many doctors you have tied up and services? At least test launch has already started on that front.
- Ramkumar Krishnamachari** So last year we mentioned that we had tied up with around 85,000. That number has gone up to 140,000 as far as March is concerned, these are the latest numbers. So it is across

the various search plus. For example, we have about 25,000 plus groceries with whom we have signed up on a trial basis, overall data of 90,000 plus. So like this list goes on. So restaurant we have about 16,000 plus restaurants signed up for food delivery and more than about 15,000 for table reservation. Both these put together unique would be about 28,000 restaurants.

**V. S. S. Mani** That gives a flavor of the number of businesses, we are trying to increase the number of businesses. The idea is to make it very comprehensive, make it very neighborhood-friendly, make it addressable to every zip-code. So our idea is to get as many businesses, make them aware about this opportunity of search plus transaction thing in Justdial and we give them this free trial basis and at the right opportune time we start monetizing this list.

**Jignesh Kamani** Can you give some flavor or how are the trials happening, delivery order or grocery order has been done as of now on the soft launch?

**V. S. S. Mani** We have not been giving those numbers yet, but on an average Ram, what would be the number of food orders in a day?

**Ramkumar Krishnamachari** We would be doing about 650 to 700 on a weekday and about a 1200 on a weekend.

**V. S. S. Mani** But I want to tell you that these are not really huge revenues for us. So I think what we need to understand is there is going to be a transition which we all are going to see, the users are going to transition from merely using a search engine to actually using it as a search plus transaction engine. So we will be building the base for it. Once it takes over. Once the company starts its communication, its marketing or its focus on the users and making them aware about the services then you would really look at these numbers much more seriously and the potential monetization.

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

**Rajiv Sharma** I have a couple of questions. First is on this JD Map initiative. I just wanted to understand how you plan to monetize it. Second question is on your paid campaigns, so this run rate has been about 10,000-12,000 per quarter so assuming you start doing your marketing thing next quarter, so how do you think this run rate will change? When can we see, now that you have your sales force in so when can we see improvement in the run rate by 30%-40% or do you think that it will just move in slowly even after the marketing thing is done. And third is what is your pricing strategy on the search plus and the price discovery or the shop run thing? Do you plan to take a variable model completely, a mixed model and how do you plan to approach it? Do we have clarity on when you are planning to do your big ad spend on the new services?

- V. S. S. Mani** I will take one at a time. The pricing for search plus which you said about reverse auction engine, basically when you want to buy a branded product, let us say a mobile phone or a television or a car tyre or any kind of thing that you would want to buy which is a brand, the approach here is to obviously honor all those people who are listed with us, who are our paying customers, they should be part of the reverse auction engine. In addition new entrants are allowed to participate where they have to pay only 0.2% of every query to response to, 0.2% of the MRP price of the product and if the transaction happens through our JustDial platform either through the mobile platform or the website, for the transaction they will have to pay an additional 1% commission on those transaction fees. Please can you repeat the other two questions?
- Rajiv Sharma** Yes, just trying to understand, this will be completely variable, the shop front thing for you.
- V. S. S. Mani** We have kept it optional. If you run a shop, let us say you have a mobile store, so the way we allow you to participate is you can get ranked better on the search engine plus you can also participate in the search plus transaction engine. So if you are already ranked in the search engine we do not charge you the 0.2% on the every lead that you participate, but we do charge that 1% commission on other transaction fructify on JustDial platform. If the person was not listed on the search engine platform then you can just opt him for only the transaction part by volunteering to pay 0.2% of the MRP price of the product and 1% on the transaction if the transaction fructifies to just dial platform.
- Rajiv Sharma** Okay. So it will be a real time thing, means when you say not part of search engine platform you mean the database of 11.8 million.
- V. S. S. Mani** When you search for mobile stores near you, you will get the list of stores in a particular rank which is the most paying one on the top to the less paying ones in the bottom, of course with keeping the relevance in mind. And we see that that ranking is immensely important for businesses, that is why they pay for it and they get ranked better. Apart from this if you search for let us say Samsung S5 now, you are most likely to land on intermediary page which will prompt you to participate as a user to take part in the reverse auction platform. So when you just give your details your information is passed onto say multiple vendors, may be over 20 vendors it will be passed on, that you require a Samsung S5 and you reside in a particular pin code of Mumbai let us say. And then we have those vendors who are willing to deliver the products, this particular Samsung S5, the color of your choice in that particular zip code. They are ones who take up this and they immediately participate in the reverse auction engine and within 60 seconds you actually get live quotes from multiple vendors. So for you as a user when you think of a product, think of a model, think of the color you get instantaneous price and too in real time. And for the vendors no better thing done actually having real customer there where they can bid for your requirement. So participation in this auction is you can be either a JustDial already existing customer, so you get to participate for free which means you will not be charged a lead fee of 0.2%. But you will be charged a transaction fee of 1% if the

order is placed with JustDial. But if you are non-paying customer of JustDial but you want to participate in the reverse auction then you also have an option but you have to pay 0.2% on this MRP price and then commission on the sales.

**Rajiv Sharma**

And on Search Plus what will be the kind of the pricing structure?

**V. S. S. Mani**

This is also part of Search Plus. Basically you search for a branded product you are able to discover the right price. In the case of restaurant or doctor it is different. So there also there are flexible options for businesses. If they are not part of the search engine they could only participate in the transaction part.

**Rajiv Sharma**

My questions were on the run rate of the paid campaigns. Once you have launched the services means we are very close to the commercial launch and we are already seeing some transaction, so how do you see the paid campaigns improving? The run rate has been quite stable and we are not seeing big spikes here, around 10,000 every quarter.

**V. S. S. Mani**

So you will have to see this differently. The search engine had a particular pricing engine. It has a particular price that you have to pay for premium positions like platinum, diamond, gold and packages and all that. But if you happen to be a vendor who wants to only participate in the transaction part you do not care about how you are ranked because you feel that you can quickly respond to a query and your bid value will reach out to potential customers and in that process you will be able to really benefit out of JustDial then you could imagine there will be thousands and thousands of businesses which will participate like this, which means potentially JustDial can receive revenue from multiple number of customers than what it is today. But the average earning from these customers may not match up with the average earning that we are doing right now with the existing customers because then we will be comparing apples to oranges, because the current customers are paying for a premium listing to be ranked better on the search engine. And the others are going to pay to participate in the reverse auction process which will depend on the number of leads we can push it to them, the number of leads they participate and how many actual transactions that happen to JustDial they get orders through JustDial and for that which they also part with commissions. For us what we do is we sign a bank mandate from them with a right to debit their account to an ex amount of money as and when they reach to a certain level, so there could be a small token of 1000-2000 in advance and then rest they will every week or every fortnight visit their account and see okay if it has come up to Rs. 500 go and debit to his bank account, something like that.

**Rajiv Sharma**

Just a follow-up question on this whole thing, thanks for the clarity here but my feel is that this is a complete change in business model and this may also lead to, I understand this is a new complete area for additional revenues but your existing revenues could come under pressure as to those who feel that not the premium clients but the rest of the clients who feel that it is better to go on a lead generation model which has more visibility than a fixed subscription

model where they really cannot quantify their ROI. So this could be a complete shift in your business model.

**V. S. S. Mani**

First let me clarify that today when Ram said we had Rs. 461 crores of revenue last year, I would imagine not more than 12% of our revenue would be from this segment that I am talking about, which means the entire ocean universe of products sold let us say all this kind of electronic products and all those things, although the queries are pretty high are JustDial but the monetization is pretty weak. So this kind of a model will actually boost it to a new level. So this is going to be a big plus for us. If you can do your own exercise of visiting a website and search for electronic products and stuff like that you would see they aren't many-many sponsored listings as compared to what it could potentially be, whereas if you go and search for doctor, you go and search for movers, you go and search for pest control services, you will see dozens and dozens of them and you will see pages after pages of sponsored results. So for us it makes lot of sense. Now let me understand this differently. Till date so far people have been using JustDial to find information about things they do not know when they need directions. But today people are not thinking about JustDial when it comes to knowing the price of a particular product. All they may have do is they may actually visit a eCommerce site and check out the prices there and then step out to go to any particular shop to buy it. As we all know the more than 99% of the people actually buy it offline and less than 1% actually buy it online. But they still use online engines to discover the right price. What JustDial feels is this whole price discovery process should be so genuine that the prices should be discovered from the very same vendors they would like to buy. Who are these very same vendors they would like to buy. The vendors in their own city, the vendors in their own neighborhood. These are the vendors they want to buy. People do not want to radically shift to on some online site which operates from one part of India. So this is the comfort level of buyers that I could buy from the very same vendors in my own vicinity but now sitting at home I can get instantaneous price quotes from these very vendors through JustDial. It is a game changer. It is going to completely disrupt the way traditional businesses have been functioning. This is the way the consumers have been finding prices. So this is going to be a very big plus. Hence what we are trying to do is we are going to aggregate the entire purchasing decisions of people and routing through JustDial. Usually one call, within 60 seconds you get to know the right price and from the vendors that you want to buy.

**Rajiv Sharma**

So you do not feel any pressure on subscription revenues? You believe that that run rate will continue?

**V. S. S. Mani**

Absolutely because as I said in this whole branded product segment, our revenue is negligible one. Two, the person who takes premium positions on the search engine will never-ever give away that. In fact we have the other problem, which is like every year there is a fight for the top position, second position and third position, so that is one thing. What we are trying to do is right now we are having, so if you use our search engine it will take you to a landing page. The landing page allows you to participate in the reverse auction engine. But it allows you to



skip that page also. As a consumer you can skip that page, but you skip the page you land on the page which is having the actual search results. That is in the order of premium or the customer followed by the others. And there is where the big difference is. The importance will not get lost.

**Rajiv Sharma**

Okay. And my last question was on your monetization of the maps and your CAPEX for this year.

**V. S. S. Mani**

So just answering your previous question the business is, the whole scope will widen far more to many-many more businesses paying some money or the other to JustDial. So that is a good news for us. As far as maps is concerned our intention to launch map is never been too monetize. Maps are intention to launch map is to add value to our search results. We have been using Google Maps so far and we just said there is a third party dependent thing, we should have our own maps and we have far more accurate geo-coded data and for us the map us turning out to be superior and a better user experience.

**Rajiv Sharma**

Will this mean any saving in cost? Will payout to Google reduce if you are using your own map?

**V. S. S. Mani**

We did not spend that kind of substantial money, but this would definitely enhance the product experience. As you click on the map icons you will get default directions and it will tell you from your place where you are to this particular place that you are looking for, how far it is, with directions like – it even gives us navigation. I mean it gives you everything that you require in a map.

**Moderator**

The next question is from the line of Tejas Seth from Emkay Global. Please go ahead.

**Tejas Seth**

Just wanted to understand what is the one milestone or threshold which you are looking for to monetize the Search Plus platform?

**V. S. S. Mani**

If you understand Search Plus, first of JustDial search is very well monetized. It is growing day by day. On the Search Plus, which is a transaction part, we would just take the decision when we are really comfortable. The real numbers are shaping up good because it is extremely important to have more and more and more vendors participate in this so it makes sense for our users. And encourage more and more users to actually take advantage of our Search Plus transaction platform. So our effort would be to what we were almost on the verge of completing of what we have been calling as the master app, for a while we have been talking about this multi-purpose app, like one app you use it for everything that you do from day in and day out and that is almost getting this coming quarter, this quarter actually. That entire product would be completed in all respect and that is when we start our aggressive evangelist activity, which means we actually reach out to users such as you and teach you how to really use this app to the optimum extent and that usages will drive more business to these vendors

who are listed with us and that is the right time to go and monetize it. Like we have been practicing for Tier-3, Tier-4 cities of Tier-2 cities we did provide the services but we never looked at monetizing them. We just allow it to grow and when it comes to a particular point then we start aggressively monetizing that.

**Tejas Seth** When we launched this eMarket place I think one of the value propositions was same day delivery of the product. Now with Amazon coming up with one-day delivery guarantee does it dilute the proposition?

**V. S. S. Mani** Not at all. In JustDial scenario it will be delivery within couple of hours because see it is a simple thing, like I said this vendor is in your vicinity, perhaps in your own zip-code and your comfort level is to buy it from him and for him it is hardly an effort to deliver it at your doorstep instantaneously actually.

**Tejas Seth** And lastly if I missed out, what is the CAPEX lined up for FY15?

**Ramkumar Krishnamachari** We maintain that the 5% to 7% of the operating revenue as far as CAPEX is concerned.

**Tejas Seth** Because this year we did not do much.

**Ramkumar Krishnamachari** Yes we did not do much but this year we have some plans and we maintain that the 5% to 7% CAPEX that we give.

**Tejas Seth** Any finalization on the amount of ad budget?

**V. S. S. Mani** See we did some interesting things like sponsoring IPL and all that and it has given us great brand visibility and salience. We have shot some ad films with these players of various IPL teams. You may see some of these ads. But I am not able to give you what exactly we have spent. Although our intention was to spend something like Rs. 50 to 60 crores. It all will depend on the comfort level that when we say that every penny that we spend we are going to really see a huge benefit accruing to the company and so as of this quarter I do not see that happening. Let us talk about it next quarter or so.

**Moderator** The next question is from is from the line of Gaurav Malhotra from Citigroup. Please go ahead.

**Gaurav Malhotra** I just had three questions. Firstly if you could just let us know what is the overall number of transactions which are happening on daily, weekly or monthly basis on Search Plus in the last one or two months? Secondly just wanted to get your thoughts on what is the kind of default rate in terms of what is the percentage which is not getting fulfilled by the vendors who are on Search Plus. And thirdly what was the CAPEX spend in the whole of FY14? These are the three questions.

- V. S. S. Mani** Number of transactions, probably the current grade is somewhere close to about 2000/day. Ram you can correct me if I am wrong.
- Ramkumar Krishnamachari** You are right Mani.
- V. S. S. Mani** And as far as percentage of transaction where they are not able to fulfill and all that it comes to around 4% or 5%. We have cases and more to do with in case of restaurants and stuff like that when they are not delivering. As such we have not faced such a serious problem there in terms of.
- Ramkumar Krishnamachari** In FY14 we spent to the tune of around Rs. 10 crores overall on the CAPEX. But then that number will increase this year.
- Gaurav Malhotra** Just on the fulfillment I had one follow-up questions, is there some sort of mechanism in which we are keeping track of this? Is there some sort of a penalty which is being levied on these vendors in case they are not fulfilling? How are you keeping track of this?
- V. S. S. Mani** We actually keep track of every record because it has been early days hence we do it. Every order that you place we keep a track whether it is fulfilled or not and that way we get to know what is the percentage of our assets, it is not a sample test. Secondly, if we come across some vendor who is not, I mean if we get more than one complaint, two complaints we feel that it is not acceptable we actually blacklist the customer. We remove him from the Search Plus platform. So that has been our practice.
- Moderator** The next question is from the line of Niket Shah from Motilal Oswal. Please go ahead.
- Niket Shah** Just wanted to know is there a matrix that we actually have internally to get a sense of the unique visitors that we are seeing adding annually?
- V. S. S. Mani** I do not. Sandipan can you give that because we have been facing some challenges on that because more traffic going to the cell phone somewhere the non-app user traffic monitoring has been a challenge. Sandipan can you take that?
- Sandipan Chattopadhyay** Yes. So the thing is that there are two challenges should be talked. One is that if it is an in-app use then unique visitor is easier to determine but a visitor is not so easy whereas if you go from a mobile gateway especially when they are using multiple proxies and stuff like that and when a new users come it is very difficult to uniquely identify unique visitors. So we can keep a count of people who are registered and who have taken our signature from their site and they are sort of one to one corresponded in the sense that we can track them because they have done some transaction with us and we have been able to engage with them. But for a normal visitor through a mobile gateway with the proxies and all the mobile gateways use, it is almost impossible. It is not like what it used to be in the good old days of TCP/IP kind of a connection and all those things, so you are given unique IP address. So now that is the

challenge you are facing and that we have seen that it is a better thing to track, the overall things in terms of searches and not to focus on something that which is not really trackable by any measure of technology.

**Niket Shah**

Okay. My second question was on the reverse auction when you mentioned about the monetization part of it when you will actually be charging 20 basis points for participation for the guys who were any which ways not there part of your base business. Similar kind of model was adopted by a company called Bazi.com in the past and fortunately it ramped up pretty fast in the start and then unfortunately it could not take it forward because in the end the larger SMEs and those businesses took a significant amount of benefit because they had economies of scale and hence they could not match the pricing part of it with the smaller SMEs could not do it. So just want to get some sense in terms of how different are we in terms of those models as compared to those competitors in the past?

**V. S. S. Mani**

The ecosystem has changed dramatically. I do not know when Bazi.com operated, I do not what was the internet penetration in India. Currently we are pretty much every business that is listed in JustDial and every business that would like to participate in the Search Plus transaction module have basic internet connection on their cell phone. They use messengers like WhatsApp for their day to day business also. So the ability to respond to a query is far-far better. When I say in 60 seconds you will get quotes means it is really 60 seconds. In all likelihood it will be instantaneous. As soon as you posted it you will get a quote and quote from not just one vendor, multiple vendors. Now finally you have to understand business as it is, is happening all over the country today (+99%) is totally offline and those businesses are the ones who would participate in this whole online reverse auction engine. What are they going to do? They are going to put the price at which they can sell. They are not going to go any other price. If there is an XYZ eCommerce site located somewhere in Northern India is willing to give you Rs. 500 cheaper, I doubt if those vendors sitting in Mumbai or Delhi or Chennai would actually give them a chance and finally to tell you that when you get these quotes from JustDial you get the vendor's reputation along with it. So we are agnostic about whether he is paying us commission or not paying us commission. We will actually tell you how many people have rated his business, what his overall rating is, is he a JustDial verified customer, does any of friends have rated it because we are the only ones who can tell you your friends' ratings if there is any for those businesses if you have happened to download our JustDial app. You will be able to know that. So along with this you will get to know the price at which he is willing to sell it and if there are any freebies and what is the time of delivery, if it is going to be within couple of hours or 3-4 hours or whatever it is.

**Niket Shah**

Just want to come to that point again, do you think that it will actually be a disadvantage for the smaller SMEs for example let us look at Mobil, the larger your scale is the better turnover discounts you get as a distributor or as a vendor from some of these mobile companies? So typically then you are able to pass on some of that benefit to the consumer which a smaller

SME might not be able to do and this is yet going to pay 20 basis points all the time for the participation part of it.

**V. S. S. Mani**

No, this 20 basis points is what we have decided to price. If tomorrow need be we will make it 10 basis points. I mean we will be highly competitive here. We are only focusing on the focusing on the millions of transactions. We are not looking at fleecing money out of these people. Secondly, if you look at it all these businesses are surviving on their own for years together in whichever way they have been operating and they have been competing with large players. In fact it is the other way round, you go to a large outlet and go to these vendors they are always cheaper than the large outlet. So I do not know where the scale benefit is and finally I want to say many of these vendors actually travel 10-15 KM and deliver the stuff at your doorstep and much flexible, much faster within couple of hours the guy would travel 15 KM and drive, deliver the stuff at your doorstep. This is something which he cannot because he does not have a physical presence in today's time. When he participates in the JustDial model then he is able to capture business from various zip-codes which are far away from him.

**Niket Shah**

Third question on the pricing part of it where you have taken price increases in certain categories. You have also taken price reduction in certain categories. Does that mean that going forward the churn ratio but come down with also obviously with improvement in environment as well?

**V. S. S. Mani**

We have not done any price reduction to my knowledge. Price increase, definitely we did. It was long overdue and as far as churn is concerned we have always been telling them 18% to 20% mortality of companies, not in our hands and the other 20% odd has been there for time immemorial, 20% to 23% and which we have to just live with it, I mean not much of worry there. But yes if you have interesting products such as to participate in marketplace like this on a Reverse Auction engine then there is a likelihood that the number of people paying JustDial could actually go up leaps and bounds. I am not trying to predict that. I am saying that potentially why not because it is only a matter of if I participate in the auction model then I pay for it, which means I do get the lead through JustDial. Till the time I click on the link and then put my price and submit I do not have to pay anything. So if I do not have inventory, let us say a customer ordered for a blue colored Samsung S5 phone and let us say a particular vendor does not have blue color on his stock he does not pay a penny for that lead. But if he clicks on the link and submits his quote he pays for it.

**Niket Shah**

And one final question, is there any plan to increase the number of premium subscribers – for example when a consumer calls on ATAT he typically gets six or seven replies from JustDial. First one will be premium position and balance six would be non-premium. Is there a plan where you actually have first two as premium and balance four or five as non-premium thereby actually accommodating the more premium category demand than sufficing that demand in that sense because if you look at a mobile internet or mobile application format it

would actually not make a significant amount of difference by having more of premium guys as compared to non-premium. So is there some thought process behind that?

**V. S. S. Mani**

There is always one. I remember few years back we phased out platinum diamond and we used to have one called gold. Gold listing we phased it out. Then we realized look the screen is getting smaller. We do not want to show other free-listed and then found out that these kind of vanity products are also hugely in demand. So we reintroduced that. So there was a benefit there. At the end of the day what we are trying to do is we focus on a user and give him the most relevant vendor or supplier for him at the same time also the best of the quality. So we have received that people who pay and participate are really the more enthusiastic ones, are eager to please you and they are the ones who turn out to really be the one satisfying our users.

**Moderator**

The next question is from the line of Jaisinh Suchak from JM Financial. Please go ahead.

**Jaisinh Suchak**

Just a couple of questions. The premium listings as a percentage of paid campaigns and total listing, could you give us that percent?

**Ramkumar Krishnamachari**

Around 23.

**Jaisinh Suchak**

So premium listing is a percentage of total campaigns?

**Ramkumar Krishnamachari**

Yes.

**Jaisinh Suchak**

And as revenues how much would they be contributing?

**Ramkumar Krishnamachari**

Should be (+45%).

**Jaisinh Suchak**

The one time marketing spend which you spoke about does that keep you probably by second quarter we may have some color. So that 60 crore number as of now you are saying is not sacrosanct. We will have to take in the **plate** as it comes.

**V. S. S. Mani**

That is right, absolutely.

**Jaisinh Suchak**

In terms of the geographic expansion strategy within India last quarter you have spoken about that the revenues from the lower Tier-city has just gone up to 8% instead of 7% earlier. Is there any change in that matrix like Tier-2, Tier-3 cities are doing better?

**Ramkumar Krishnamachari**

Yes definitely we have seen the higher growth rate in this Tier-2, Tier-3 cities and the contribution has gone up. So overall the Tier-2, Tier-3 contributions right now are at about 9% plus.

**Jaisinh Suchak**

This would be for the fourth quarter or for the year?

- Ramkumar Krishnamachari** This is for the year.
- Jaisinh Suchak** And that would be round about 7-8% to the previous year?
- Ramkumar Krishnamachari** Correct, about 6-7%.
- Jaisinh Suchak** Okay. Just one more question on the employee front, we are around about 8500 odd right now and we have been adding on technology and sales front. What is the plan on that for a year or two to come?
- V. S. S. Mani** See there will be an increase in the sales force because we realize that we need more feet on street. As you can see we have like 11.8 million businesses and that is going to further go up to some 14-15 million in the due course of time and we need to have more feet on street, help them play an evangelist role, also help them participate in our various products that we have. So that is one area that we may increase the headcount but I do not see the headcount going up in other areas. So it will be purely for revenue enhancement that we feel that we need to add more sales feet on street.
- Jaisinh Suchak** I think in the last year we added round about 1000 people, would that be a good run rate to assume?
- V. S. S. Mani** I would say yes. Our effort is to add 250 people every quarter.
- Jaisinh Suchak** Just one last question, on Search Plus we have 17 services online now and obviously as I said it will be an ongoing process and we will add everything and as many services which can help the user, but just like in all these services like cab bookings and movie bookings, have all of them like are they coming anytime soon?
- V. S. S. Mani** Except for movie booking, movie booking because of some extraordinary reasons where the commercials do not make sense to us most of the things that we have been talking about but other than that everything is online and you would see more and more cab companies going online. You would see the complete travel booking like an airline ticketing and hotel reservations happening very soon and you would see that there would be pretty much I will tell you if you use a JustDial app you do not have to go to any other app or you do not have to go to any other site. And some of these we are partnering with the best names in the business so we do not want to really do this ourselves and others are getting fulfilled by multiple vendors who are listed with us.
- Moderator** The next question is from the line of Hiren Dasani from Goldman Sachs Asset Management Company. Please go ahead.
- Hiren Dasani** I just had two questions – one on the mobile search, any sense how much of the mobile searches are coming through your app?

- Sandipan Chattopadhyay** Roughly about 1/3<sup>rd</sup> of all mobile searches now come from the app and we see that growing with the engagement level of mobile app users being more than the web users.
- Hiren Dasani** Okay. And the number of app downloads?
- Sandipan Chattopadhyay** Number of apps are right now around 8500 to 9000 on a daily basis. On weekends and all it increases slightly.
- Ramkumar Krishnamachari** All of these are organic by the way.
- Hiren Dasani** And we are now on iPhone as well right?
- V. S. S. Mani** Yes, we are on iPhone, Windows and Android.
- Hiren Dasani** And one thing on the revenue side, do you have any sense of what is the total download cumulative if it is mobile based app download?
- Sandipan Chattopadhyay** Right now the total downloaded till date is around 4.2 million altogether, all the platforms put together.
- Hiren Dasani** And the other question is on the revenue side, I mean last year we grew about 38% if I were to look at the full year revenue number FY13. This year we grew at about 27% odd. Next year we are looking at a 28% odd if I am not wrong. So what was the reason for this slowdown this season and you are looking at a slight acceleration, not a whole lot thought, but what are you basing it on?
- V. S. S. Mani** See the absolute numbers obviously are much more. In percentage terms if the base goes up there is always the issue but having said that I think last year has been a year of a lot of new things, new activities, and new products. So the effort of the company to go aggressively to monetize was like get postponed till we have all the kind of necessary things, like for example, the reverse auction engine and also generally talking about Tier-3, Tier-4 operations. So we are now stepping up our effort there and you would see it should yield some better results.
- Hiren Dasani** I mean what you say that in that case your FY14 was probably slightly lower than what trend line growth one would see for this company?
- V. S. S. Mani** I hope so.
- Hiren Dasani** And you do not build in any search plus related revenues in a significant manner?
- V. S. S. Mani** Not this entire financial year. Year next, yes, we would have -
- Hiren Dasani** That would be in FY16 you mean?



- V. S. S. Mani** That is right. There would be significant revenue coming out of Search Plus transaction. We may give a surprise but I do not want to say that because we have not stepped out of the market to announce this to our people like this is what it is and this is what you should use.
- Hiren Dasani** So 28% odd revenue growth in FY15 for practical purposes does not build much of the Search Plus revenues?
- V. S. S. Mani** Nothing at all.
- Hiren Dasani** And you said the ad spend of Rs. 60 crore for the year it is still like you will take it as you go.
- V. S. S. Mani** No, I would say that you just forget about it for the time being. If there is one we will announce it in the next quarter. There are lots of many different creative ways to do it, so we are just exploring all possible ways because see if you look at our success we have been successful virally, our products have spread virally, organically things like that. So the need we felt at that point in time that there is such a drastically new different thing that we need to do some kind of a marketing push to reach out to prospective users. But we are exploring other alternate ways also which I am not able to say confirmed that 60 crore number right now.
- Hiren Dasani** I am sure you would announce it but is the number going to be higher, lower directionally?
- V. S. S. Mani** Definitely not higher. I would just give you an example, last year we said we will spend 25 crores on advertising, we ended up spending 14 crores.
- Moderator** The next question is from the line of Amin F from Standard Pacific Capital. Please go ahead.
- Amin F** I was just wondering on the acceleration of campaign growth, revenue growth has been higher than campaign growth in the past and I guess there is to some degree as you advertise momentum have gone upstairs. Mani you talked in the past about having more convergence than changing the 2.5% or 2.4% up to 4% to 5% over time and at the same time your numbers listing is growing from 9 to 12 to 16 now you said. So that would imply that either you are going to get revenue acceleration or the payment per campaign will come down drastically. So how do we think about that and just going to on earlier question 28% then seems conservative if you have those things starting to happen over the next several years.
- V. S. S. Mani** That is true but you cannot predict those right now. I have to say that we are still at very-very early days of when it comes to small businesses participating on internet and looking at that seriously like you have to mark some budget from their promotional advertising this thing, which we are seeing signs of that. And we are seeing that internet penetration along with changing habits of people and the business is realizing that. They would come and hopes to spend money with services like JustDial. Good example is like sometime back Ram said that in Tier-2 the revenue was about 6-7%, now it is about 9% on a higher growing base. Those centers are actually growing at a far-far rapid pace. So here the point is we are stepping up and

reaching out to new businesses and having more and more sign up with us so that this year number of businesses paying us to grow, for example last year we grew about 27% and pretty much the number of campaigns also grew the same percentage. And the revenue for customer did not drop much. Am I right Ram?

**Ramkumar Krishnamachari**

You are right Mani.

**V. S. S. Mani**

So it moves like that. So coming this year you would see that there could be a slight drop in the revenue per customer with it, overall number of customers could dramatically go up and I am not like predicting something I am just saying we are working internally on various strategies but overall pie would definitely grow but I am not able to give you the right mix right now but we know for sure one day there is going to be day when obviously the same dialogue I said five years back when we were just about 40,000 customers I said definitely I see a day when we will have more than 200,000 customers. And five years from then, now I am saying we have 260,000 customers. So obviously we see that day when we probably have probably 500,000 businesses paying JustDial some amount or the other, may be a million some may be 6-7 years from now we never know. The direction looks clear that more and more businesses want to be in a platform like JustDial and also if you look at our current monetization model so far we have been having only the search engine monetization which is the ranking on the search. We have introduced new products like banners, I do not know if you have seen that. We are getting good response from those new products as well where people are showing a lot of interest in promoting their services. We are seeing interest in the Search Plus transaction model. Then there are many businesses willing to participate only in the transaction part. We are seeing interest in the scheduling software that we have launched for doctors and other services. So there is going to be a broader scope for us to reach out to more businesses and there could be more reasons for which they would pay us. Then you would also see soon coupon and offers concept product from us where our businesses will offer you discount coupons and offers which you can avail. You would also see some kind of ERP solutions, so I have been talking as a vendor app. So there are lot of these programs which are there which are yet to be rolled out and a combination of all these things we would see the number of businesses will definitely go up.

**Amin F**

I mean it sounds like the idea is more to monetize, I mean are those the monthly fees or variable fees? What would you prefer over time?

**V. S. S. Mani**

We would prefer a combination of both. For example, if it is something like a posted solution, if it is some kind of ERP/SAP or SaaS kind of a solution we will charge them monthly fees and if it is a solution which is like a transaction based solution obviously it will be a percentage on the transaction, percentage on the lead generation. So if you look at Alibaba or any of these players, if you look at their revenue model, you will see that they get revenues from various activities. We are exactly doing what Alibaba did years back when they offered

all this platform for free and allowed people to transact with each other and then they started monetizing.

**Moderator** The next question is from the line of Prince Poddar from UBS. Please go ahead.

**Prince Poddar** Sir actually two questions, first one you said JD Maps there was no plan to monetize it at any point of time but I am sure some kind of substantial investment is going just to maintain JD Maps on a monthly or annual basis. So can we get that value of how much does it take?

**V. S. S. Mani** Nothing significant compared to our numbers top line these days. I cannot even say even a single percentage point.

**Prince Poddar** And the second question sir when you said that at some point of time people will see all the prices at one place and they will be able to compare that easily at just one place. So for that you need to reach a point where all the players in a vicinity are listed with JustDial. So I understand that is an ongoing process but by when do you see people starting to use that kind of service when they believe that all the players in that vicinity are listed?

**V. S. S. Mani** Very, very soon, confidently telling you.

**Prince Poddar** So can you put just one year, or 1.5 year or

**V. S. S. Mani** Much less than a year and not just for things that you today go to other eCommerce sites, even for things like find a car battery to a car tyre to even the simplest of things that you have been buying you will just us to discover the price first and then take the next step.

**Moderator** The next question is from the line of Hitesh Das from Barclays. Please go ahead.

**Hitesh Das** Two questions, what is the split of current number of employees into sales, technology, IROs? Could you please give that?

**Ramkumar Krishnamachari** Sales is about (+4800), about 2100 is on the IRO and then technology is about 200 and rest of the others.

**Hitesh Das** Why did the employee headcount decline on a quarter-quarter basis? Was there any call center rationalization there or what is the key reason there?

**Ramkumar Krishnamachari** Normally what happens in Q4 is all the exam time so a lot of these IROs and other folks, the attrition when it happens, the back fill happens in the first quarter. So you do not get that much opportunity to back fill so these are all students mostly college grads, etc. So the window of hiring from these campuses and other places close during Q4. We witnessed just the same thing last year as well. So it is no different this year.

<b>Hitesh Das</b>	Couple of more questions, what is the differed revenue figure at the end of the year and second, how many transactions do you see on the Reverse Auction Engine on a daily basis?
<b>V. S. S. Mani</b>	I think the deferred revenue was about Rs. 162 crores. On the Reverse Auction Engine you would see the transaction now. We have not yet started but I think we would have decent number of transactions by the next quarter when we have a call, we will see that.
<b>Moderator</b>	Thank you. I now hand the conference to Mr. Gaurav Malhotra for his closing comments.
<b>Gaurav Malhotra</b>	Thank you sir. We thank the JustDial management for taking time for the call. This concludes the call. Thanks everyone for joining.
<b>V. S. S. Mani</b>	Thank you guys.
<b>Moderator</b>	Thank you very much members of the management. Ladies & gentlemen on behalf of Citigroup Global Markets India Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.