



India's No.1 local search engine

**“Just Dial Post Results Conference Call”
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India's No.1 local search engine



SPEAKERS: **MR. V. S. S. MANI – FOUNDER AND CEO;**
 MR. ABHISHEK BANSAL – CHIEF FINANCIAL OFFICER



Good evening, ladies and gentlemen. I am Arshad, your moderator for this session. Thank you for standing by and welcome to the Just Dial Post Results Conference Call. For the duration of presentation, all participants' lines will be in the listen-only mode. We will have a Q&A session after the presentation. I would like to now hand over the conference to Mr. Rashid Parikh. Thank you and over to you, sir.

Rashid Parikh:

Thanks, Arshad. Good evening, everyone. On behalf of Nomura, I would like to welcome you all to the 4Q FY18 earnings call of Just Dial. We have with us the founder and CEO of Just Dial, Mr. VSS Mani, and also their CFO, Mr. Abhishek Bansal. So without any further delay, let me hand it over to the management.

Abhishek Bansal:

Hi, everyone. Welcome to Just Dial's earning call for fourth quarter of FY18. I shall quickly run you through financial and operational highlights for the quarter and full year fiscal 2018. Firstly, on topline, we have been able to achieve 200.5 crores of revenue for fourth quarter which witnessed a growth of 10.3% year-on-year. Operating EBITDA stood at a healthy 45.8 crores witnessing strong 42% year-on-year growth. Adjusted operating EBITDA margin excluding ESOP expenses stood at about 24.4% which saw about 460 basis points year-on-year expansion.

Net profit for the quarter stood at about 39 crores which was up about 54% year-on-year. Importantly, unearned revenue stood at 333 crores as on 31st March, which witnessed about 21.4% year-on-year growth. For the full year, revenue at about 782 crores, witnessed 8.8% year-on-year growth. EBITDA saw a very strong 50% year-on-year growth in FY18.

Coming to operating cash flow, we generated about 226 crores of operating cash flow in FY18, which was up 66% year-on-year. And considering CapEx of 21 crores admitted in FY18, operating free cash flow stood at about 205 crores, which almost doubled year-on-year versus FY17 free operating cash flow of 104 crores. If you were to include the cash flow from treasury income as well, business generated a very strong 267 crores free cash flow during the year, out of which 84 crores went into buy back and rest obviously has gone into increasing cash in investment. Overall cash in investment stood at about 1200 crores as on 31st March.



Coming to operational highlights, traffic continues to be robust at 112 million unique users for the last quarter, growing 29% year-on-year. We continued a healthy trend of addition in our listing and we now have about 22 million active listing in our database, which was 22% year-on-year increase. 50% of the database is now geo-coded and we have about 45 million images in our listing, which was up about 41% year-on-year.

Ad campaigns at the end of the quarter stood at approximately 445,000 compared to lowest levels of realization that we witnessed in the fourth quarter of fiscal 2017. Realizations are up about 78% year-on-year. Overall, I think, fourth quarter was a great quarter for us. And FY18 overall has been a great turnaround year for the company across the board starting from traffic to data and content to turnaround in revenue growth, profitability. Cash flow generation, as I just mentioned, has been robust. We have been able to contain our cost pretty well without losing sight of growth and product improvement.

On the product side, we have recently released the new version of our mobile site, which is built on the latest mobile technologies. It has reduced our page load time by approximately 40%. It's now blazing fast despite addition of several new features.

So, overall, FY19 in fact has started pretty well for us so far. And I think FY18 has laid a very strong foundation for FY19. On that note, we shall now open the floor for questions.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will start the Q&A session. May I request you to please press "0" and "1" on your telephone keypad and wait for your name to be announced? We request the participants to restrict themselves to one or two questions at a time. Participants, we request you to please press "0" and "1" to ask a question.

Let's start with the first question taken from Akash. He is from ITI Equity Fund. Please go ahead.

Akash:

Congratulations on your cost control initiatives. I have a question on the operating revenue number. We are coming up with a pretty soft Q4 last year. Operating



revenue is still about 8.1% which is pretty much the lowest reported. On your revenue also, the incremental revenue is I think around 7.5% of the total operating revenue. So, just wanted to understand on the revenue side, the optimism you are sharing is what you are seeing on the ground because you have the advertising campaign or specifically are you saying for FY19 which makes you so confident?

Abhishek Bansal:

Hi Akash, on the operating revenue, see, I agree, if you look at the base, it will show whatever 7%, 8% annual but better I think would be to look at it on a trajectory of growth. So, we had gone all the way down till about 6.5% year-on-year revenue growth. We then improved to about 7.5. Last quarter, we hit 10.3%. We have come from two or three key factors. One, since deferred revenue already has been a healthy growth, so we already know that our particular past quarter had very healthy trend of collections. Secondly, the controls we had put on productivity, those particular controls are paying off. Now we have also started adding to our manpower. So, if you see this particular quarter sequentially, we have added people in feet-on-street cold calling. That is the team that has been giving us very good growth in terms of revenue. So, that particular team is being expanded.

Our particular advertising campaign for the last three quarters has been giving us 30% year-on-year traffic growth. Even from our sales team, the feedback is that our particular SME client base, they are also realizing on the ground that they are getting much better visibility this year for their investment with Justdial versus previous year.

So, overall, these are some of the matrix on the ground which we are seeing which gives us confidence that we should be able to build onto last quarter's growth rate and do much better in FY19.

Akash:

Sure, sir. This is really helpful. One additional question. Would it be possible for you to share your uninstall rate? I know we have the app download rate, but you will also give us a little more colour on the uninstall rate along with the app download number.

Abhishek Bansal:

See, our particular apps on uninstall rate is in fact slightly better than whatever is the industry rate. I lost



recall. As per the discussion with my team, overall over a period of one year, about 30 to 32% of the apps remain. So, for that particular one year, uninstall rate would be about 68 to 70%, which is better than the industry, as I believe.

Akash:

Sure. Some other applications, if possible. Would you be able to share on the time spent on the apps? Some trend that you can see there also?

Abhishek Bansal:

See, one very important thing for everyone to realize is that at the end of the day we are a search engine, right? For us, what is important is the user comes to our platform, takes the information and goes away. Let me take an example of a particular metric bounce rate. Bounce rate for certain companies are high. It might mean that user is not getting the desired information or user is reluctant to spend more time on your website. But for a search engine, a high bounce rate might imply the user is getting information so quickly and for the very first page on which the user is landing, bounce rate could be high. So, the way we measure is in terms of what is the classic or unique users that are coming to our platform to take that particular information.

Akash:

I am sorry. It's a small follow-up question. Because you have added a lot of features, you have added JD Social, you have added Light TV and even videos. Is there any change in the metric that, you know, you have been revamping your app, people are spending more time on it?

Abhishek Bansal:

Right. Due to this particular addition of features, definitely the engagement with our particular platform is increasing. So, people searching for various categories, company searches, social related activity, JD Social, that is gaining good traction. Recently, the mobile site and IOS app, they have added chat features as well. As and when those particular features get explored, they will see good traction as well. News, Light TV are some of the key features that are bringing users on board and making users return to the platform for the subsequent time as well.

Akash:

Thanks. Thank you so much.

Moderator:

Thank you very much. We have the next question from Mr. Nikunj from Edelweiss. The line is unmuted.



Pranab:

Thank you so much. This is Pranab from Edelweiss. Can you just comment about relatively higher improvement in the realization versus the paid campaign growth? What exactly has led to improvement in the realization? And how should we see this going forward?

Abhishek Bansal:

See, this particular fiscal year FY2018 saw a benefit of realization adding revenue growth. Campaign growth obviously was slightly on the lower side. Now, there are two or three things that I think we should understand. Firstly, as a company, what is important for us is overall revenue growth. Why do I say so is because we try to maximize revenue per client, revenue per sales employee. When we roll out our particular revenue targets to our junior most teams, it doesn't matter much if our 10,000 revenue for a day is coming from one campaign or that particular revenue is coming from two or three campaigns. So, that is first.

Secondly, we had taken some price hike at the start of the year because when we launched our mass media advertising campaign, we said that the price hike that we had not taken for the last couple of years, it is the best time to take our visibility across the board would be high. So, those particular price hikes have sort of aided us.

Third, earlier there was a certain particular product which might be getting sold to a customer at various points of time. So, if I approach a particular customer two times in a year, that would add two different campaigns. But now we are also encouraging our sales team to sell some of these products as bundle products. Why it helps us is that there is obviously a cost associated with approaching that particular client twice in a year. If that particular person is able to extract higher revenue for those particular bundle products, that might get counted as a single campaign and it would show up more into realization.

For fiscal 2019, among the two levers we believe that both the levers, that is the campaign as well as the realization, both should aid us in achieving our particular revenue numbers.



Pranab:

The reason why I actually asked this question was, over the years we have seen that because of higher increasing contribution from the tier 2 and tier 3 cities, the realization growth was not significant. So, has the contribution of tier 1 cities increased during this period or that is not the case?

Abhishek Bansal:

Tier 2 and tier 3 cities again continued to gain share. Tier 2 and tier 3 cities now have about 21% share in revenue versus tier 1 top 11 cities having 79%. In terms of campaign, tier 2 and tier 3 cities have about 43% share and 57% comes from tier 1, which obviously implies that the ticket size in tier 2 and tier 3 cities is lower.

Pranab:

How has been the revenue growth in tier 2 and tier 3 cities versus tier 1 cities?

Abhishek Bansal:

Tier 2 and tier 3 cities have been growing at very healthy, even 30% plus year-on-year. Tier 1 cities, obviously the growth rates were lower. But recent particular quarters suggest a good turnaround in tier 1 cities as well, which is obviously critical for our particular revenue growth in fiscal 2019.

Pranab:

Thank you. That's it for me. I will come back in the queue if I have more questions. Thank you so much.

Moderator:

Thank you very much, sir. We will take the next question from Mr. Gaurav from Morgan Stanley. Mr. Gaurav, please go ahead.

Gaurav:

Thanks for taking my question. Firstly, just wanted to understand what are the various new services which you would have launched in the last 12 months are doing well and you are getting traction? Are you seeing some transactions happening on your platform? Or, is it still at an early level of engagement and engagement levels have not moved to the transaction level?

VSS Mani:

We want to be the go-to-place, and people should come here and they should find whatever they want. We are not focusing a lot on transaction now. We are happy if you search for restaurants and you click on home delivery, you might even see Swiggy fulfilling it and maybe in some cases Zomato, in some cases Amazon site. If you go and search for certain products, you might find online players like Amazon, Flipkart and



others as well as the local vendors. So, goal is to make JustDial a go-to-place and to be a complete search engine where people can find products, compare prices, check out reviews and ratings and they take a decision whether to call or to drive down to the place or even messaging which we have started over the new app. We can message to a vendor. Or you can transact online. In some of the products and services, it's a third party fulfilling it. In certain categories like travel, we are no different from any travel aggregator. You would see that in hotels, apart from the list of hotels and the numbers to call, you would also have an option to book online through third-party sites which is more on the lines of companies such as Trivago where they aggregate and they show you multiple websites' quote.

So, we are going to focus more on being the real finding place where you find things. With the transaction, we don't want to get into that activity at all for at least times to come. There will be some exceptions like probably flights and stuff like that for which we don't have a choice. In fact, we are also working whether we can do that and aggregate where you can find out cheapest flight on one of the multiple travel portals.

But the main revenue comes from SME advertizing and that would continue to dominate and there we are trying to increase the contribution from these SME. In the months to come you would see that this revenue per customer really growing particularly in tier 1 cities and even in tier 2 cities because we have got more things to offer now.

Gaurav:

Mani, just to add on this question which I had asked. Couple of years back, we had seen a trend that the customers want to do all their activity in a platform and they don't want to go to different platforms for searching and doing a transaction through a different platform. Do you think that there has been a change in this trend from a customer behavior perspective or is there something more to your current strategy to be relevant as a search player and not necessarily care about transactions?

VSS Mani:

No, what customer prefers is actually go to one place and discover a product with the price comparison and all that. They are agnostic of buying from A, B, C if all three are almost of the same quality and grade. So, we



also always meant that like we have to be a search plus transaction engine. In the early days of Justdial when we announced search plus in 2013, those were really early days when we thought like we would enable these small businesses to actually have the inventory up there and actually help the consumer transact. To figure out that need, we require a lot more efforts, spending. It was absolutely a different type of business where there was a lot more burn. So, we didn't like the burn story. So, we decided let's be the place where people can come and discover the price and let them go where they want. And I think that's going to be a very big play being the go-to-place for multiple things, for which we are pretty confident. I think the step that we have taken is also very light on us, not trying to do all kinds of things, getting into businesses where most verticals are specialized. So, we don't want to get into that space at all.

Gaurav:

Sure. Last question from me. There was a period which was a transition period for us when we were moving and making customers aware about moving away from lead-based approach to more value-based approach or what value you are getting out of advertising

VSS Mani:

That transition is pretty much achieved to a great extent. You know some of the reasons that Abhishek said that we saw single digit growth. Also, it was due to the rapid transformation from voice to internet and obviously the customers were used to certain noisy way of experiencing the service. And over a period of time they have realized that there is no alternate medium for them to go to. This is the best and most value for money medium for them. And many of those customers have come back and they are re-investing and probably investing more money and they understand the new analytics that we give them. In the Justdial app, we give them analytics on how many visitors to their page, how many searches, how many calls made, how many messaging done to them and all of this information. They are able to appreciate now, and they are able to act on this. So, I think that change has taken place.

Moderator:

Sir, Gaurav is disconnected. Should we move to the next question?

Abhishek Bansal:

Yes, sure.

Moderator:

We have Arya Sen from Jefferies. The line is unmuted.



- Arya Sen:** Good evening, Mani and Abhishek. Firstly, in an answer to a previous question, you talked about the difference between paid campaigns and unique customers. So, what's the proportion of unique customers to your paid campaigns?
- Abhishek Bansal:** Our unique customers would be broadly about 360,000.
- Arya Sen:** 360,000? Is that correct?
- Abhishek Bansal:** Yes.
- Arya Sen:** And how has that grown over the last one year?
- Abhishek Bansal:** That would have grown broadly about 5%, 6% year-on-year.
- Arya Sen:** Understood. Secondly on the deferred revenue numbers, if I look, obviously there has been a healthy growth in deferred revenue this year compared to last year. But then if I look back, last year versus FY16, there was about 17% growth in deferred revenue in FY17 as well. But then revenue growth was only 9%. Why is there such a large diversion between deferred revenue growth and revenue growth? Are you collecting more upfront? Is that the reason?
- Abhishek Bansal:** There is no significant change in terms of monthly payment plans versus annual payment plan. What also matters is that post FY17 March quarter, how had deferred panned out in subsequent quarters. So, one particular quarter, deferred revenue can be obviously an indicator for how quarter should look like. Like out of 333 crores, 320 crores obviously will get accrued in FY19. But to have a direct one-on-one correlation, that obviously does not hold true.
- Arya Sen:** Right. But the diversion seems to have become higher in the past. And also related to that, you should report at least this 333 cores of deferred revenue as revenue for next year. So, what's the guidance going forward? Does that give you more confidence on 15% kind of revenue growth?
- Abhishek Bansal:** Definitely. As I mentioned earlier, last year FY18, we are exiting at a run rate of about 10.3% year-on-year revenue growth. For fiscal 2019, considering how recent



trends have been both for fourth quarter of last fiscal as well as 40 to 45 days of this particular fiscal. The growth rate that you mentioned definitely seems to be achievable.

Arya Sen:

Right. And what's the sense on margin?

Abhishek Bansal:

There are obviously two key cost items that we have. First is the employee cost. Last year, I think, we did a great job in terms of controlling that 440 crores to exactly at about 442 crores. That particular line item should have grown 8%, 9% year-on-year but we were able to automate several functions, plough those particular savings into expanding more sales force. For fiscal 2019, I think while efforts on automation are again underway, there are still areas within support department where we can automate and reduce our dependency on manpower. So, that should help overall even if employee cost grows at about 8%, 9% year-on-year in line with whatever regular increment, etc. I think 23%, 24% margin that we are currently witnessing, that should easily hold up. Potentially with the revenue growth that we talked about, it should see some operating leverage expansion as well.

Arya Sen:

Right. That's all from my side. Thank you so much.

Moderator:

Thank you very much. We have the next question from Shaleen Kumar from UBS. The line is unumtd.

Shaleen Kumar:

Hi, Abhishek. Hi, Mani. Thanks for the opportunity. The way I look at it, your investment and UI bundling of product should get you the customer base and help you with price increase and improve the realization and investment towards marketing campaign and all. Sir, it's not correctly considered but that's the way I was thinking about. So, we have been very good in terms of realization. In fact, if we look at the performance of the company for the quarter as well as FY18, it's pretty good. But this one area where we try to understand that why the paid listing growth was absolute or your comparison is not coming through. So, how should we look forward? How should we move going forward?

Abhishek Bansal:

Shaleen, let me give you a sense of how on the ground we operationalize it. Fiscal 2018 was the year where we said that okay let us bring back efficiencies in place. Bringing back efficiencies in place meant that within all



departments including sales we had to be ruthless about ensuring that we don't have any mediocre performer. At the same time, we ensured that our product development revenue growth should not be hampered. When we started fiscal 2018, we took certain price hikes. Market will not be fully inelastic that any particular price hike will not have any impact on campaigns and it will directly flow down to realization. So, last particular year for three quarters, we did not ramp up our particular sales force. We tried to ensure that our particular sales force is able to achieve the desired productivity levels. Fourth quarter, we added to our particular sales force. So, this particular process resulted in FY18 seeing more benefit of realizations versus campaign.

At the end of the day, what matters is that, yes, realizations can have only a limited room for growth unless we offer better offerings to our customers which in any case we are doing. Fiscal 2019, ideally both particular levers should actually aid in revenue growth. We were absolutely clear from day one. We don't want a scenario that we have 15% growth in paid campaign, realizations go down 10% year-on-year with the reason that tier 2, tier 3 mix is growing and net-net company grows only 5%. Eight quarters back, paid campaigns were growing 18, 20, 25% year-on-year. But that did not result in the overall revenue growing at about 15% year-on-year. In fact, we played down to 6%. So, efficiencies are very important. That is the reason we last year focused on ensuring that with whatever resources we have, we optimize on those resources which resulted in paid campaigns or the paid listing being lower and benefit coming towards realizations.

Fourth quarter, as we have already seen in terms of advances that we received from customers which are sitting in deferred revenue. That is showing a very healthy sign. Fiscal 2019, I think overall revenue growth we should be able to achieve the desired number with a good optimal mix of realization growth and campaign growth.

Shaleen Kumar:

Abhishek, are we broadly guiding any kind of revenue growth and mix in terms of paid campaign absolute or growth and realizations for FY19?

Abhishek Bansal:

For me or for everyone in this particular company, what matters is the overall revenue growth, which should be



sustainable for quarters as well as years. Right? As I mentioned earlier in my call as well, when I give target to my specific branches or people in the sales team who are frontline executives who actually go out and get us revenue, we don't give them target specifically on campaigns. And that is the reason to do that. If we give them targets specifically on campaigns, it is possible that they will get us a lot of campaigns which are low value campaigns. So, that is not optimal for the company.

Overall, as I mentioned that revenue growth is what we are targeting. How that comes? It has obviously two ways to look at it. Revenue per customer. Revenue per employee. Number of employees and number of customers, One particular lever can overweigh the other. But as a company, we are fine till the time we have clear visibility. That overall revenue growth can sustain for coming quarters and years.

Shaleen Kumar:

Abhishek, how should we look at the bundle product like what percentage of your paid listers are using your bundle products? I mean, what kind of head room is there? Any colors on that?

Abhishek Bansal:

See, for bundle product, the way it is now done is that whatever products that a particular sales person sells, they have a bouquet of products that they see in their software to sell, which would have a non-premium listing, premium listing. Within premium and non-premium listing also, they would have variants. Then they would have add-on products such as a banner, ratings and review certificates, online website, customized mobile app, etc. And they have the ability to pick and choose those particular products as per what the customer desires. More number of products that you choose, obviously value of the contract increases and customer gets a higher benefit in terms of getting some percentage discount on the overall value. So, those particular bundle products are... Like you can pick and choose from various stand-alone products that we have.

Shaleen Kumar:

So, you don't basically like market like percentage of paid listers using this much product or something like that?

Abhishek Bansal:

Right. I have put a bouquet of products saying that "Okay, guys, I sell these particular 10 products. You



want to buy them?” We usually do so. You want to choose these particular three products. You can do so. If you want to buy individually, it costs 100. If you were to choose all three at one go, it costs you 90. So, that is the sort of ad to cut short of feature that we have enabled for our sales employees.

Shaleen Kumar:

What about churn rates? How has been the churn rates for the quarter and for the full year?

Abhishek Bansal:

Churn rate, by and large, has been similar. One or two percentages lower. So, about 40%, 45% is the overall churn rate. There has not been material change there. But recent signs or recent feedback that we have from our sales force, a lot of particular customers who had probably exited two years back, they are now amenable coming back into the paid ecosystem because they realize that among the digital properties, this is the one which can give them value for money advertising opportunity. So, over time, ideally that particular churn rate should come down which means that we would be retaining more customers and focus on adding new customers.

Shaleen Kumar:

Right. Just this last if I can squeeze in. What about cash which we have on balance sheet? Any plans for FY19?

Abhishek Bansal:

See, last particular year, as we said, 267 crores got generated. Out of which, 84 crores went toward buyback. Thought process for this particular cash is that we obviously are on lookout for any opportunity inorganically. But we are very clear that those particular opportunities have to make strategic spend for us. Whatever the incremental cash flow that is being generated, part of it could be returned to shareholders through buyback. The next buyback earliest can be done post September because there needs to be a one year cooling period between two buybacks. And apart from that, we would spend on advertising as well as growing our product. So, improvement of product, promoting of product, those are the two key areas that we would focus on.

Shaleen Kumar:

Great. Thank you so much. That's it from my side.

Moderator:

Thank you very much. We have the next question from Mr. Prasoon Agarwal from Indus Capital. The line is unmuted. Please go ahead.



Prasoon Agarwal:

Mani, this question is for you. And it sort of continues from the previous question which was asked. We have around 1200 crores of cash in balance sheet and we are generating around 265 odd crores this year. So, it seems sort of unfair for the shareholders that this business is generating good RoE but we are using this cash and investing in long-term bond products. So, there has to be a better use of this cash, right? And it's like a disadvantage that we have. Maybe in an environment where the VC activity is not that high for other apps. Do you think it's a good time to go out and get some growth and better utilize this cash?

VSS Mani:

We always meet so many new companies, almost one a week. It's just that the models are sold. It's not like the time that we would really want it to be and so it's high risk. So, we don't want to get into such space where we have less chance of making it successful. We like more of technology, something that will take us a long time to build, if we can buy such technology companies. We are talking to a couple of them. But it's very hard to get good companies, honestly speaking. So, in this forum, if anybody has something to suggest to us or Abhishek, please do forward to us. But it's tough to get something of high quality.

Prasoon Agarwal:

Okay. So, that's on the inorganic part. But on the core business itself, is there a way we can think about the ad spend... I mean, it was great it got increased last year. I believe it was 60 to 65 odd crores. This year, it's hopefully higher. But does ad spend add to the growth numbers? And I think one of the common themes in the questions, if I may say, is about the lack of growth. Every other metric looks really good, but the growth is not coming. So, do you think that if we increase this number to let's say 100 crores or 150 crores and the growth that we get, is that a sustainable growth? And if for one year sacrifice a little bit on our OCF generation, how do you think about that?

VSS Mani:

I wish advertising easily translates to revenue growth. It doesn't happen that way. But then we are definitely spending much more than last year. This year we would see somewhere close to 100 crores being spent on advertising. And we are also quite comfortable in doing advertisement growth also. And if we do get a better growth out of this spend, obviously we can step up



more on advertising. See, it's not as simple as you just splurge more and then you just get the growth. You know a lot of these companies that have been shut down. They have spent hundreds and hundreds millions of dollars but they are nowhere there in the scene right now. So, everything has to be calibrated, thought through and you know you have to measure it and do it that way.

I think what the market is missing is... Okay, we have turned around like Abhishek said, we have got back to our double digit growth after stagnating for multiple quarters. For seven quarters we have stagnated and we have turned around and we are first time ever in an earnings call and we are saying that we are comfortable doing it, declare number for the year. That speaks volumes for what's happening on the growth front. But I'm thrilled more by the fact that the company is far more efficient than what it was in the last eight to ten quarters. That really makes me feel very happy.

So, whatever growth comes, if you notice one thing, this year's performance is despite about 200% increase in advertising spend. Despite that we have given a 50% growth in EBITDA. That's a lot of things to take note of, which means the company is on the right track. If it gets 15% growth, then obviously a lot of that would also translate to growth in profit. But at the same time, obviously advertising is a must for us and we would continue to spend more money. You would see more ads of Justdial this year than ever before.

Prasoon Agarwal:

Definitely. That's very encouraging to hear. The other question that I had was on this 18,000 average SMEs are spending. My understanding is that if somebody has to go to a Google, they have to spend at least Rs. 2 to 3 lacs to get some sort of traction on the ad spend. So, the gap between this 18,000 and 2 lacs, first of all, is that 2 lacs number ballpark in your view, and where is this gap between 18,000 and 2 lacs, and what are the other alternatives that SMEs have, if not justdial?

VSS Mani:

When we last did a study of our advertisers and if you see their advertising on Google, almost close to 90% of them don't do it. So, it means that we are in a better position. We have a different market we are addressing. So, there is no such threat from Google or anybody.



Secondly, JD is far simpler, easier to advertise. We still have people facilitating for you. Perhaps Google is slightly difficult for people to comprehend. It's a click through model. But, I think, there are merits in both the models. Each one caters to a different market. We can see clearly in the coming years, the average spend for customers will slowly inch northward and it will be much, much better. Perhaps double the amount in five years from now because businesses have understood the importance of internet now. Actually internet has become topmost priority for them than other mediums. It's just that the spending when it starts, it would be really multiplied.

So, SMEs usually take a much longer period to change as compared to medium and large corporates. But that's there. We also have many customers paying us 2, 3, 4 lacs also.

Prasoon Agarwal:

Thanks a lot, Mani. All the best.

Moderator:

Thank you very much. We have the next question from Mr. Praswal from BMK Securities. The line is unmuted.

Praswal:

First of all, congratulations on the good set of numbers. Just wanted to understand your views on dividends. As we can see that you are generating good cash flows and your company doesn't need any heavy CapEx to move on. I just wanted to understand your stand on dividend policy, sir, if you have one.

VSS Mani:

This year will definitely give some money back to the investors. Whether it could be dividend or buyback, we will have to decide.

Praswal:

Okay. That's all from my side. Thank you so much.

Moderator:

Thank you very much. Ladies and gentlemen, should you wish to ask any question, please press "0" "1" on your telephone keypad. We have the next question from Mr. Akshan from Fidelity. The line is unmuted. Please go ahead.

Akshan:

Just one question on your confidence on achievement of growth next year. Now if I just look at exit revenue per campaign which we can calculate in Q4 which is about 18,100 to full-year number that gives you rough realization growth of 2% for next year even if



realization per campaign doesn't move up. Right? In that scenario, if you have to get to 15% odd growth, we are talking about 13% growth in campaign which is a significant increase in the incremental campaigns required on the quarterly run rate basis versus what we are seeing in the last four to eight quarters. So, the question is that will realization move up and hence the number of campaign that we require to grow would be lower or you think next year will be more about campaigns growing at 12, 13% and realization being more gradual?

Abhishek Bansal:

Average realization per campaign that you see for fourth quarter, fourth quarter accrued revenue is coming from what we sold in last four quarters whereas the money that I collected from customers in fourth quarter a bulk of it will get accrued in fiscal 2019. That would have a higher realization. Or the other way to put it, my embedded realization in my deferred revenue is higher than the realization that you are actually seeing in quarter four. It implies that ideally realization should have an increase versus what we saw in fourth quarter. However, considering the mix is tilting towards tier 2, tier 3 cities. That actually tends to pull down realization a bit. So, it's difficult to exactly say that 2% will come from realization, rest 13 has to come from campaign. It will be sort of a mix or both.

Akshan:

Okay. Realization per campaign can go up more. That's what I guess, sir.

Abhishek Bansal:

Yes, definitely. Realization per campaign is already higher as per the last quarter or the deferred revenues and banded realization will surely be higher.

Akshan:

Okay. Fair enough. The second question is that if we look at collection, it has gone fairly strong for you sequentially y-o-y. Would it be fair to say that a lot of growth that you are expecting now could be affronted in the sense that 15 can be spent in the first half and 20% in the second half? But since you have got connections now and you are seeing connections improved, and you are exiting at 10%, so to hit that double digit low sort of a growth could very well be the first half for you?

Abhishek Bansal:

See, whatever collections that happened in the fourth quarter, obviously they would be spread out over the next four quarters. For the second half of fiscal 2019, a



bulk of the work is yet to be done. So, you are right that how first two quarters pan out in terms of collections will determine how the second half pans out. So, overall, the way we are internally working on numbers, full year is what we are looking at. First half, obviously we will have to see what run rate we achieve. We would definitely ensure that or we would want to ensure that those particular run rates are much better compared to the exit rate of FY18. But for me to say that split of that particular mid-teams would be – first half would be higher, second half would be lower – that obviously is a bit difficult.

Akshan:

But you should have a fair visibility for the first half number, right?

Abhishek Bansal:

See, first half numbers, obviously this particular 330 crores or 320 crores has the current deferred revenue, that will get accrued over the next 12 months. First six months revenue, if we just annualize this 200 crores, that would be 400 crores. Out of 400 crores, obviously around say 200 crores ballpark, 180 crores could come from the deferred revenue. But we still need to get that particular remaining balance 200 to 220 crores.

Akshan:

Okay. Fair enough. The employee cost this quarter is slightly higher. I don't know if you already recovered this. What are you thinking about employee cost? This quarter was there any increase in employee strength? And then if you are looking at the whole year next year, you have done obviously tremendous cost control this year? What about next year?

Abhishek Bansal:

See, employee cost last quarter is optically looking on the higher side. Couple of reasons: One, since we had good collection in fourth quarter, the incentives which are say around 9 to 10% of the collected revenue goes as incentives in the entire sales team. That particular 10% incentive got booked up front because we pay up front to the sales employees. So, in a way, it's good that those particular costs have already been expensed whereas revenue for the same collections would be accrued over the next 12 months. There were one or two increased incentives or bonuses that we paid out to our sales employees. So, I would look at it more as 441 crores annualized basis, 112 crores should ideally be assumed as the run rate for fourth quarter. In case employee cost turns out to be higher, I would possibly



be happier because the only key reason for higher employee cost would be due to incentives which are paid on the revenue that comes.

For full fiscal 2019, this 441 crores, we are trying to ensure that we stay within our 9 to 10% range. But if this particular number goes up, that would obviously imply that it is more due to addition in sales employees which would further imply that there is even better visibility on revenue growth.

Akshan: Okay. Got it. Thank you.

Moderator: Thank you very much. We take the next question from Mr. Miten from HDFC Mutual Funds. Please go ahead.

Miten: Good evening. Already a few questions have come on the use of cash. I just wanted to check if you had either minimum or maximum level of cash in mind that you want to keep.

Abhishek Bansal: See, there is no specific levels of cash we are targeting. However, internally we are contemplating that whatever incremental cash that the business engages in a particular year, a part of it should obviously, if there are no inorganic opportunity, get returned to shareholders through dividends or buybacks.

Miten: So, if it would return, a part of it you keep accumulating cash on the balance sheet, right?

Abhishek Bansal: Yes. That way. Since the business is generating good operating free cash flows, it would continue to result in cash accretion. As we mentioned earlier, in case there are any good inorganic opportunities that come along the way or organically we have any opportunities to invest we will do so pertaining to product development, product promotion. But at this point of time, as I mentioned, whatever incremental cash flows that business will generate, we think part of it will go back to shareholders and part of it will get accrued to the company.

Miten: Sure. That's it from my side. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, before we move on to the next question, may I request participants to please press "0" "1" to ask a question.



We take the next question from Mr. Omang. Please go ahead, sir.

Omang:

Hi Abhishek, how are you? Abhishek, I had a small question. Most of my questions have actually been answered earlier. If you could give us the absolute advertisement cost that we have incurred for the full year.

Abhishek Bansal:

It was around 65 crores.

Omang:

Actually, you were guiding for a higher advertisement cost this year. But we have refrained from spending that. Any particular reason for that?

Abhishek Bansal:

See, as we mentioned earlier, first of all, it's not that we decide a particular number and then we target to achieve that particular advertising spend number. It's more of a monthly, quarterly valuation that we do, that whatever are the ad spends that we are doing, how is that turning out in terms of our user growth as well as revenue growth. Last particular year, if you see lower advertising spend was mainly in the fourth quarter. Fourth quarter, we were awaiting launch of our new mobile site and new apps which got launched in the month of April end. This particular new mobile site and apps have new features. And we should be ensuring that we should be back on spending 8 to 9% of the topline on advertising. At the same time, making sure that this particular advertising results into appropriate return both in terms of user growth as well as revenue growth in future.

Omang:

Got it. Abhishek, one more question. What I was looking at is that when we are saying that we have included Amazon and Uber Taxi services on our app itself. So, how are we incentivizing these additions? Is it just for customer attraction that we are doing these particular additions or we would be churning some revenue going forward from it also?

Abhishek Bansal:

Some of these particular capabilities that we have brought in at this point in time are mainly to have higher user engagement. In terms of monetization, our monetization obviously happens mainly from the SME front. We want to ensure that more and more users should come on our platform, user should spend more time on our platform. If the user is engaging more, they



would end up giving visibility to SMEs these SMEs are the ones that we want to monetize. Overall database probably is 21.8 million listings, and we are at just about 360,000 paying customers. So, there is ample scope to grow there. So, we are not really that worried about how will monetization happen for this particular user-related items or features that we are adding to our platform.

Omang:

Okay. Any guidance on the number of employees? Are we looking at some additions or any guidance on that part?

Abhishek Bansal:

In terms of employees, we obviously split it into two broad categories: Sales and non-sales. In non-sales, I don't see any major additions. We would in fact want automation to help us reduce dependency on manpower. On sales front, definitely feet-on-street, cold calling team, that is the one that actually is giving us good revenue growth, is gaining good traction. We would want to add there. Subsequently, once that particular cold calling team is able to call a particular customer, the telemarketing team does a very good job of renewing that particular customer for the second year. So, there could be subsequent additions in telemarketing as well. So, sales is broadly where we would want to add. Non-sales is where we would ideally want to add as much automation as possible.

Omang:

Alright. Thank you so much.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we take the last question for today from Mr. Rajiv Sharma. Please go ahead.

Rajiv Sharma:

Thanks for the opportunity. Just a couple of questions from my side. Firstly, you have taken a price hike in FY18 early. Now in the 45 days of this year, have you taken any price hike tier 1 markets? Do you worry that there could be some churn if you were to take another price hike in tier 1 in particular? When it comes to this whole revenue growth, you are thinking of price hikes or improving realization in tier 2 or tier 1?

And my second question is, what is the difference you see in tier 2, tier 3 markets versus tier 1 in the nature of paid campaigns? Thank you.



On the price hike, there are two types of listings that we sell: premium listing and non-premium listing. In the case of premium listing, any price variations are taken care by the in-house algorithm itself. For a particular category, if that category is witnessing higher traffic, automatically at the time of renewal, system itself adjusts the price of that particular category pin code or category area accordingly. So, we don't need to do any manual intervention for those particular premium listings.

In non-premium listings which are primarily the entry-level listings, that is where we had taken certain price hikes last year. In the last couple of months, we have not taken any specific price hike though we keep tweaking pricing in non-premium as well. For example, if you realize that a category like grocery stores or chemists are available in abundance but we don't have much paid campaigns in those particular key word, we actually decide to probably reduce prices in order to get revenue from those particular categories. So, that way, price hikes partially is embedded in the system. Partially, it's via manual intervention which have not taken place in the last couple of months or so.

Secondly, the difference of campaigns between tier 1 and tier 2 cities. See, in tier 1 cities, most of the campaigns originated at the time when we were present primarily in tier 1 cities based on our voice calling service. So, tier 1 customers are the ones which were actually accustomed to lead quantifying all their returns based on just the SMS or the leads that they were receiving. In tier 2 cities, since we entered at a time when internet had already penetrated, there the starting of the campaign itself begins on the note that we explain to the customers that in this particular internet era the split of traffic is so much different. These originate from internet platforms, etc. So, to that extent, tier 2, tier 3 clients are much more acceptable or much more understanding of the internet story that is playing out in India.

Rajiv Sharma:

Okay. That's helpful. Going back to the question number one, just trying to understand if your system is throwing up any major price increase on the premium listing so far and do you see a trend which could be there? And in non-premium, would you like to tweak



anything this time given that you have already done last year and will that be too much for your clients?

Abhishek Bansal:

Okay. See, in premium listings, we have to understand that we actually get revenue from say more than 3000 categories, which might be going down. There might be certain categories, which might be seeing a surge in traffic. Just as an example, GST consultant. Last year, this particular category saw more than 10x jump in traffic. So, this particular category maybe last to last year a particular client may be able to secure in this category, let's say, maybe Rs. 25,000, Rs. 30,000 but the same category last year would have commanded more than Rs. 100,000. So, there could be such categories where surge of traffic is disproportionate. So, what matters is both at the category level as well as the geography. There could be geographies where traffic growth is much higher. Those particular geographies would see much higher growth in traffic.

In non-premium listings, at this point of time, we would want to get as many SMEs in the ecosystem as paying rather than thinking much about charging that particular SME higher for the same value of service. We would want to take higher share of SMEs advertising spend by offering more products rather than saying that "okay, for non-premium itself, you are paying Rs. 1000 last year, you would now have to pay Rs. 12,000." We would rather want to bundle some of the offerings such that that particular customer sees that "Okay. Despite paying Rs. 1300 this year, they are getting value for money versus last year."

Rajiv Sharma:

That's pretty helpful. Thank you so much.

Moderator:

Thank you very much, sir. Ladies and gentlemen, at this point of time, I would like to give the floor back to speakers for final remarks.

Abhishek Bansal:

Thank you, everyone, for joining us. As I mentioned earlier, FY18 saw us turning around the business, and we are exiting the year on a strong footing. We are pretty confident of achieving newer heights in FY19. User growth, revenue growth along with healthy EBITDA margins, all three shall continue to be our focus areas. In case you have any further queries, please feel free to reach out. That's it from our side. Thank you.



Moderator:

Thank you very much, sir. Thank you, speakers. Thank you, participants. Thank you for joining the call with us. You may now disconnect your lines. Have a great evening ahead. Thank you.