



“Justdial Q2 Financial Year 2015 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Justdial Q2 FY'15 earnings conference call hosted by Barclays Securities. 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. Hitesh Das from Barclays Securities. Thank you and over to you Sir!

Hitesh Das: Thanks a lot. Good evening everyone. Welcome to Justdial September quarter conference call. We are pleased to host the management of Justdial on this call. We have with us Mr. Mani, Founder and CEO, Mr. Ram Kumar, CFO and Mr. Sandipan, CTO on the call. Without taking too much time, I will hand over the call to the management for initial remarks, after which we will have the Q&A session. Over to you Sir!

Ramkumar K: Good evening to folks in India, and Asia, and good morning to our friends in the US. Before I begin a very Happy Diwali and Dussehra to all the folks in India and the US.

Let me begin by starting with financial highlights. Our operating revenue increased by 31% to 147.4 Crores as compared to earlier year's 112.66 Crores.

Adjusted EBITDA, EBITDA increased by about 30% to 45.78 Crores as compared to 35.23 Crores. Adjusted operating EBITDA margin stood at 31% stable at that level. Net profit increased by about 10% to about 31.49 Crores from 28.66 Crores and net profit margin was 20%. The cash and investments totalled to about 741 Crores as of September 30, 2014.

I want to highlight some of the key expense items that happened in this quarter. One of them is ESOP expense, we had allotted around 350,000 shares out of a pool of 700,000 and the expense of that got started in this quarter because of which you would have seen there is a slight drop in the EBITDA margin as compared to last year's EBITDA margin. Hence we had given the adjusted EBITDA number to have a like-to-like comparison.

Some of the operating highlights we were conducting about 296,100 campaigns an increase of about 18,100 campaigns as compared to previous quarter and about 24% growth over previous year. We had about total database listings of about 14.5 million, a growth of about 46% as compared to earlier year.

Number of employees stood at about 8900 and we had more than 20 search plus services already live on the internet platform, a couple of more on the pipeline. The board has approved raising of capital of up to 1000 Crores, it is an enabling resolution that we have got, so again to pursue our strategic objective.

I just want to briefly touch upon the qualitative aspects of the expense and margins before we conclude and hand it for Q&A. Now, we have been maintaining that we are investing in growth

and Search Plus, so we have invested ploughing back some of the incremental margin that is flowing from the inherent operating leverage into the business as we are growing into these areas which is investing increasing the infrastructure spend as well as spending on Search Plus initiatives. We continue to maintain that this trend will continue. You will see that the margin increments are getting flowed back into the business and we maintain that the margin trend will be stable. So with that I would hand it over to the Q&A.

Moderator: Thank you. We will now begin the question and answer session. First question is from the line of Hitesh Das from Barclays. Please go ahead.

Hitesh Das: Congrats on a good set of numbers. Can you give us some color on how ad spends will pan out for the rest of the year in order to promote Search Plus and what kind of range and timeline are we looking at in terms of ad cost?

Ramkumar K: We are looking at Q4 from ad spend perspective for launch of a Search Plus mass communication program. We believe that the product should be ready, the mobile product should be ready by end of this quarter for us to sort of go to the market in terms from a communication standpoint. So we will see some action in Q4 in terms of advertising as well as our various initiatives that we have lined up to sort of popularize Search Plus among the mass user community. So as far as the range is concerned a little bit early for us to give us any specific numbers, but it is possible that we may spend in the range of about 25 to 40 Crores, but that the is the broader spend I am talking whether that quantum will happen in Q4 is unlikely, but we will charge spending from Q4 onwards.

Hitesh Das: One more question from my side. The tax rates are bit high this quarter, what is the reason for that and what range should we expect for the rest of the year?

Ramkumar K: No, tax rate actually has not effectively it is a function of the quantum of other income normally that we generate during the quarter, so what happens is greater the other income the effective tax rate comes down because normally we do not pay taxes on the investment gains that we have, what happened in this quarter was that we postponed some of the recognition of the other income to sort of make it tax efficient, so we rolled over some of the investment gains that otherwise would have accrued to make it to a three year timeframe as you know in earlier this year we had this redefinition of long-term instruments from one year to three years, so sort of rolled over some of these investments, hence we have seen that marginal increase in the effective tax rates due to that.

Hitesh Das: Thanks a lot.

Moderator: Thank you. The next question is from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: Thank you for the opportunity. I have three questions. First if you could provide a little bit more detail on your fund raising what is the purpose, what is the timeline, now you looking for a QIP or a second relisting?

Ramkumar K: Yes, as we have mentioned we have just got the enabling resolution. The timing of when we are going to raising we will determine the due course it may happen in the next few quarters, but we will determine in due course. Now the quantum where it is going to be spent again it is something which as I mentioned it gives us the freedom and flexibility to pursue strategic opportunity. The whole space of internet is attracting lot of capital. There is a lot of potential, as you know we are immensely focused on the Search Plus we are as a horizontal play and enabling transaction in many of the horizontal services that we are dealing in. So the potential and opportunity is immense, so we already have sitting on the cash of 800 Crore and we believe this additional capital will fortify the balance sheet, strengthen our position and put us in a state where if potential opportunities comes up, we are able to respond to that, so nothing specific at this point of time that we are looking at, other than saying that definitely it will help us pursue strategic opportunities as and when it arises.

Sachin Salgaonkar: My second question is can you update on your Search Plus uptake and your international market expansion?

VSS Mani: Good evening. This is Mani. On the Search Plus front, we are doing pretty well. There are two definite initiatives that we have taken. One is allowing our users to actually transact online which means like basically search and transact with businesses, which got initiated about six months back as you know that we are rolling out every quarters some new products. The other one is enabling vendors with superior cloud hosted solutions which will make them run their business efficiently and engage more with Justdial in the process allowing us the access to their inventories and deepening our relationship with these vendors. In this regard, we had actually completed two products one is for doctors. The doctor's vendor application which is Cloud hosted Solution, which allows doctors to schedule appointments with their patients as well as it keep their patient record for eternity in their Cloud provided by Justdial and this allows the practice much better than the way they usually have as it is today. So it basically takes the patient information, the symptoms of the patient, the medications he is taking and any new activities, family history, various stuffs that usually a doctor would have including the prescription that he would want to give it to the patient. The beauty about these vendor applications are they are very well integrated with the Justdial's regular app that when the doctor uses this vendor application like what we have built for them, the patient will go to him if he has a Justdial application, he actually gets to access to his prescription digitally on his app. The app itself will prompt him that he has to buy medicines and it will suggest him nearby medical stores where he can place orders. If the doctor has suggested some diagnostic requirement, it will also tell him suggest him the diagnostic centers near him where he could do the diagnosis and by doing so he will also get an instantaneous alert as he goes to one of these diagnostic clinics and whenever the report is ready it will alert the app user, which means that this is a complete solution for the doctors as well as integrating well with the users who could be their patient. Similarly we have done a product for

restaurants which will allow restaurants to manage their efforts better particularly for taking orders from the customers, food orders for home delivery or it is for scheduling actually the table reservation and things like that. This is independent of what we are providing at Justdial. Basically once these establishments start using our hosted solution we have good access to their accurate inventory. We initially decided to bundle these products with regular search engine revenue, where we own packages that we said we would probably bundle it and sell it to the businesses, but now we decided against it because we feel that we need to disrupt the market in order to take a lion's share of the market. We have decided to give these products for free to the doctors and the restaurants. We have about 340,000 doctors listed with us in Justdial pan India. So we just informing each of these doctors how to really get started, there is a call center that helps them to get started. It is as easy as starting a new e-mail account and same is the case with restaurants. So you would see in the future that we have many more new products. On the retail space people who sell branded goods or nonbranded goods we allow them, we were developing the product which allow them to the manage their inventory, billing and publishing that inventory in any third party site which of course includes Justdial and this will again be a cloud hosted solution which will be available to any business that is listed with us, initially for free and then they would be paying a fee for that. A lot of exciting actions that is what Ram was saying that we are investing back into the business, so although topline is growing healthier, but then you would see that there is a lot of these margins are getting invested back into the business developing these products.

Sachin Salgaonkar: On international markets, any new updates since your last quarter?

VSS Mani: International market is not so critical for us, the way we approach international is there is a core team that works on international content creation and whatever products gets built in Justdial India, we just have the right kind of content available for international markets. There is no special effort to monetize it or feature into those setting of boxes in these countries. That is not a priority for the next at least three to four quarters.

Sachin Salgaonkar: Last question is, are you seeing any change in on the ground momentum particularly into the SME market since the new government has come up?

VSS Mani: There is a big change and people are far more optimistic, they are looking forward they are more keen to invest, so that we can see a lot of change here.

Sachin Salgaonkar: Do you see that getting reflected into your revenue momentum this year itself?

VSS Mani: Of course we are seeing some traction for sure, but we accrue our revenue over a period of 365 days so even if I see some super improvement if we follow our deferred revenue trend I do not know if Ram gives that information that is looking healthier which means that obviously the thinks are looking better.

Sachin Salgaonkar: All the best and wish you Happy Diwali.

- Moderator:** Thank you very much. The next question is from the line of Jignesh Kamani from Nirmal Bang. Please go ahead.
- Jignesh Kamani:** Congratulation Ram and the entire team for the good number. I just want to know on the metrics as such and everything for the growth in search and **(indiscernible) 16.22** parameter is better than the revenue growth rate or **(inaudible) 16.25** some light on qualitative aspect of that?
- VSS Mani:** For the analyst if you are looking at Search Plus media we would probably be four quarters and then finally we will give you some...
- Jignesh Kamani:** I am just taking out the existing permutations (ph) about various search on the mobile internet and **(indiscernible) 16.49** so growth is far better than the revenue or slightly it is right now?
- VSS Mani:** Yes, that is definitely doing very well. I think we have grown in overall search volume.
- Ramkumar K:** Better than the revenue rate the growth has happened on the search, overall traction.
- Jignesh Kamani:** Second thing if you take a current liability, right now it has increased compared to last year mainly because we changed the part of our payment system from weekly contract to monthly contract, so all the change on the ground has already incurred or it would be continues process and you see much more, you can see tightening of mirror and continue more of long term, longer gestation contract and pays out short duration contract?
- Ramkumar K:** The contract duration does not change only the payment terms whether it is monthly or the upfront that is the what we were talking about, so no significant material change in the proportion of the monthly versus upfront, so you could see that getting reflected right now on the current liability deferred revenue, so that is looking healthy.
- Jignesh Kamani:** My last question is if it is sequentially number of employers have come down by close to around 81%, so do I need to read anything on that line?
- Ramkumar K:** Nothing particular actually because see the first half first quarter was sort of hiring and ensuring that we have the right number of people, second quarter was that of consolidation and productivity improvement, so what we have seen is the natural attrition process that happened and you would see that the hiring should be back in Q3, so it is something which we do pursue every other quarter, so it is a continuous process. You will see some quarter will increase the employee, some quarter we will stabilize. Net-net the number of employee should increase year on year by about 1000 to 1500.
- Jignesh Kamani:** Thanks a lot.
- Moderator:** Thank you very much. The next question is from the line of Dhiresh Pathak from Goldman Sachs Asset Management. Please go ahead.

- Dhires Pathak:** Thank you for the opportunity. My first question is on ESOPs. What is going to be the yearly runrate of auction? Is it going to be 3 to 4 lakhs per year?
- VSS Mani:** Definitely not that high, the long pending of auctions and these are long term process on an average, these are for resting period of six years.
- Dhires Pathak:** No, but actually what I am looking at is from FY 2009 to FY 2015 now if you include these 3.5 lakhs we have granted about 20 lakhs stock options over a period of seven years, so on an average we are granting roughly 3 lakhs per year, although it is lumpy in nature, but if you average it out we are granting close to 3 lakhs options per year?
- VSS Mani:** I think you must add another 3 lakhs, which has also been probably not reflecting in this order.
- Ramkumar K:** You are right. There is totally 7 lakh shares are what have been allotted in the latest tranche. The question is will be we allotting more year-on-year, Mani I think, we for the time being we are done with the current process of ESOP allotment right with this 700,000.
- VSS Mani:** That is right and we recruited some senior people and some kind of software engineers we may have to issue them fresh ESOPs but they will be all vet to over a period of seven years.
- Ramkumar K:** Seven years, but it may not be in the range of what you are talking 300,000 to 400,000 it may not be that high.
- Dhires Pathak:** But what I am saying is that if I look at over the last seven years, the options including with the grant of 3.5 lakhs, total cumulative option grant is about 20 lakhs. If we should do that over a seven-year period that is on an average of 3 lakhs, so if I look back and take your historical grant the runrate that is over the range of 3 lakhs per year. On an ongoing basis, is it far to assume that it will be much lower than 3 lakhs?
- VSS Mani:** It has to be because most of it was done in 2009 a very large chunk was issued at that time and actually and this year we have been this is current one that we did speak about this year about 350000 and another 350000 would be totalled to 700000 which means we have used up all that ESOP that we had from the board. To predict for the next year fresh ESOP would be 300,000 on an average I doubt.
- Dhires Pathak:** Also when the shareholder approvals were being taken for the scheme of 2013, it was taken at a ticket size of as the market price, now it has been granted at Rs.80?
- Ramkumar K:** The approval was taken only at Rs.80 only not at market price.
- Dhires Pathak:** Okay because when it came for proxy voting, it was you are booking at the proxy price at the market price, so I was surprised to see at Rs.80?
- Ramkumar K:** We will share with you the scheme. It is there. It has been granted at Rs.80.

- Dhires Pathak:** Now this 1000 Crores capital gain is a big amount and what you are saying is you know it gives you a freedom to pursue your strategic opportunities as and when the need arises, but if you could elaborate more, it is a big amount and the earlier understanding of this business for us was that it is capital like. The core business is capitalized what you are pursuing is capitalized international market, it is capitalized (**inaudible**) **23.05**, so this 1000 Crores is a big amount can you please elaborate?
- VSS Mani:** See we have to understand that these kind of things that you have keep in mind the ecosystem, what is happening on the other front, what the other companies are doing, we do not want to be left behind and certain things that you do which is only for the benefit of the shareholders as far as the company's culture is concerned, track record is concerned we are a profitable company if you ask me in one word I would tell you in one sentence that will tell you Justdial would want to be the most profitable internet company every year for the next 5 to 10 years, so that is something that we are very clearly focused upon and you would see that from this year onwards we would already become the most profitable internet company and you would also see year on year that we would be ensuring that we are not compromising on that.
- Ramkumar K:** We maintain that the core business the Search Plus and the international that will continue to be capitalized, we are not going to be looking at any big investments in these at all. Essentially there is no change in strategy with respect to any of these three businesses that we talked about, it is only a question of having a solid balance sheet for us to sort of respond to any sort of opportunity that arises. I think as you mentioned as Mani also said the ecosystem is dynamic, a lot of things are happening and we want to be able to respond to that.
- Dhires Pathak:** Then it leads, the way I am reading it is at least from an M&A point of view is that over we should read into this because the business already has a lot cash, it is generating a lot of cash internally and then the business is capitalized, so when you say you want to have some freedom does it mean that it implies many opportunities?
- VSS Mani:** The business will continue to generate a lot more cash and you will see as operating the way that we have been, I think this additional cash will only be sustained to pursue the new strategic opportunity that we may get at a very, very attractive prices some M&A, but something really rocks solid it will take us to the next step in a big way and where we see cultural statement and all support.
- Dhires Pathak:** Thank you for the question, wish you all the best.
- Moderator:** Thank you. The next question is from the line of Ankit Fitkariwala from Jefferies. Please go ahead.
- Ankit Fitkariwala:** Good evening everyone. The total number of listings that you give out at the end of every quarter I just wanted to know is it net of the businesses that go out of the business or is it a gross number?

VSS Mani: Absolutely net of businesses that go out.

Ankit Fitkariwala: When do you actually plan to monetize your Search Plus services. Currently I believe you are not charging the businesses for using the Search Plus services, so when is the timeline that you plan to actually monetize it?

VSS Mani: It has to be the right opportune time. The important thing is to get our users transact online and build the product better and better and that is our focus area right now. Just to give you an example for buying products now we are launching this new version of Justdial e-commerce, which is obviously a market place, pretty much can buy any brand. I will give you my own personal example just a few weeks back I bought a cellphone for my wife Sony Xperia Z3, I went and searched on Justdial and this was at 10:40 at night searched on Justdial and I got multiple quotes because of the reverse auction feature that we have instantaneously actually and I checked up with other competition sites the top leading e-commerce players who keep advertising, the price difference was Rs.4000. I got the deal at 46,000 at Justdial, and I got the deal at 49,990 the other two sites, so it was no brainer for me to place order or the one who is offering to me at 46,000 which is a few 10 km away from the place I live. Next day morning at 10 o'clock I get a call from this vendor, the shipment is ready they can deliver it right away. I requested him to really come at 6 o'clock in the evening because we were out and we were not in a position to take delivery. The vendor came demonstrated the product and he actually asked us if you wants us to install the phone. My another SIM card that my wife had I did not have a nano SIM, he requested me if I had a nano SIM, so I gave my iPhone SIM and he put it on that. He showed us how the product works, how easy it is to use the product and further next step he did is, he actually opened the bag and showed us the few items, he said people who have brought this product also brought his covers for this phone and they also brought this scratch card and stuff like that, the experience is totally different and I saved Rs.4000 and I had almost mini shop at my place, I could take whatever I want and so there is a huge opportunity there. So when we look at these opportunities, when we look at commerce as such we literally do not say everything is e-commerce, but ours is all about enabling businesses to run their business pattern attract more customers. There are three types of customers in the market. One is the type like hey tell me the price, my problem is actually I do not trust the vendors, but I do not mind buying it, so how do we addresses that market. So Justdial is launching something call the Justdial guaranteed offer which means you get a written guarantee from Justdial whether the product you are buying is authentic, you will get a manufacturers warranty and other details and there would be a price at which you can buy, so you search for the product you will see, you will land on a page which gives a product with the specification and price and a buy note tab which can click and buy right away. You may want to comparison this with third party sites and then you say okay it is still much cheaper and I have a JD guarantee an 18-year-old company is giving me guarantee, okay so it is a no brainer for me, I would buy that is one. The second type of customers are the ones who say no, no, I want to explore further, if there is something cheaper possible, so we have something called the reverse auction, which is getting the lowest price, so you can click on it and instantaneously within seconds you get quotes from vendors and which is real time quotes and then you can decide, so you have reverse auction codes, you have JD guarantee price, then you

have third party price to compare with and then you buy from whenever you want to. The third and the last category of the customer is one, he says, hey! Look buddy, just show me the list of customers and the likely price that which they could sell, I would actually go to the establishment walk into the store, check it out myself and buy it, so we addressing to the all these three segments. So when we look at this we feel that we have to build a great product, so we got invest on it, so in the next quarter you would have seen the product life perhaps in the next one month it will be live and you can literally buy anything from not just regular mobile phone or television, you can buy air conditioners, you can buy bicycles, car tyres, batteries to the works. We can also get the home loans, instant quote for home loans, you can get instant quote for insurance, you can get, so we are getting these to a new level. For example, hotels right now you can book online hotel rooms at Justdial, pretty much in any other travel vertical whatever you could book all those hotels are available online with this app. But we realize that 23% of the hotel inventory is online and 77% is not. 77% of the hotels you cannot book online at all anywhere in India. So there we say we have introduces new concept called reverse auction for hotels which is as good as like you are landing in Goa and from the airport you are saying like I want a Three-Star hotel in North Goa and get me the quotes, you quickly get quotes from multiple hotels which are actually not online where the pictures with room, depiction of the rooms and rack rate and the discount that you are getting. In all likelihood, your discount that you get would be based on the inventory position or their occupancy rate, so if it is 50% up you may get 50% discount, we see a great opportunity in these and it is easy to rollout so all we are doing is now spending a lot of our money and effort in educating businesses how to go forward and participate in this. So whatever we are doing right now is completely disruptive something very unique that no other country, anybody any other company is doing it, so you will see that as quarter-on-quarter you will see that improvement in the product and we will have more to discuss about the product.

Ankit Fitkariwala: Thank you and that helpful and can you give us any number regarding what percentage of the total listings are selling through JD currently?

Ramkumar K: All of them. In what sense, online you mean.

Ankit Fitkariwala: Online, yes.

VSS Mani: Ram would you have the data?

Ramkumar K: We do not have the data right now Mani.

VSS Mani: Everyday the numbers are getting added, so basically I will tell you our effort is to in fact I do not know if you are there in the call before, I had mentioned about empowering businesses to manage the inventory and billing and publishing the content on a cloud hosted solution. You may continue to use, you may be a small time grocery store somewhere but you use our hosted solution and you may use barcoding system and all that, but it allows you to maintain your inventory, billing and publishing, you can imagine it could be about a 14 million listings, if you can take them all online for free to use our product initially we would definitely do it because it is

some cost for us, it is now big deal about more and more people using it, it does not cost us much.

Ramkumar K: But let me tell you this that about roughly the 95% to 96% of the listings that we does not have a website on their own, so they have online business through Justdial, that proportion remains like even actually less than that may in certain categories it may be more like restaurant, but otherwise 95% to 96% of them does not have a website.

VSS Mani: Even if they have one their customers does not go to their websites and it is extremely difficult for them to drive traffic the website, it is always the smart thing for them to be in a marketplace Justdial. As you know Alibaba is immensely successful because there are businesses they find that being in the marketplace like Alibaba only they get discovered and then of course you can buy all the premium things like how to rank better, gold stamp and the works, so that is how you go about doing this.

Ankit Fitkariwala: Lastly just one question, do you have like all product categories in mind including apparels and accessories, which you will be put on, which will be sold through Justdial in future?

VSS Mani: Definitely you will be seeing that, but the way you will see is slightly different. We would not be like a fashion site which stocks, which has their own design and do it. We will allow every fashion store in the country to participate in Justdial. We will encourage them to use our hosted solution, so that the inventory management is superior which means if I am running a boutique and I have this particular pink color dress and which is displayed at site like Justdial as well as in my showroom, if it gets sold in my showroom instantaneously that product will be out in at least it will indicate as sold out at the Justdial site. So that is our aim. We believe that more and more consumers are going to online to do research to discover price to look at various options and then some of them would want to transact online and gradually the figure of transacting online is going to grow leaps and bounds for all types of business categories.

Ankit Fitkariwala: Thank you. That is all from my side.

Moderator: Thank you very much. The next question is from the line of Pulkit Singhal from Tree Line Advisors. Please go ahead.

Pulkit Singhal: Thanks for taking my question. Just on the capital-raising front, what kind of capital structure are you comfortable with in terms of net debt to equity?

VSS Mani: Mean to what extent the valuation?

Pulkit Singhal: In the sense that you are possibly looking to raise 1000 Crores. What I am trying to understand is if you had to raise debt, if there is some percent of opportunity that is more than the capital you have, cash you have, what is the level of capital structure we should look at, net debt to equity from the perspective of net debt to equity?

- Ramkumar K:** We do not have any debt, so it is going to be completely equity.
- Pulkit Singhal:** No, the point is you have 800 Crores of the cash right now and around 1000 Crores of equity raise that you are possibly looking for. What I am trying to understand is there is buying opportunity for say 2500 Crores which you will have to raise funds for the same 1800 Crores you have and you will have?
- VSS Mani:** I can assure you one thing Justdial would for lifetime remain debt free company that is the one thing I can tell you till I am running this organization and that is for sure and in all likelihood we would also continue to be a company which will have zero receivables.
- Pulkit Singhal:** Lastly I did not get the previous discussion very clear, but in terms of the ESOPs if it is a 3 lakh per year, it is a kind of runrate that we should assume?
- VSS Mani:** Historically it was 350,000 per year. I do not think after this particular last tranche that we have given which is 350,000 and 350,000, which are 700,000 we exhausted all our ESOP sanctions given by the board. In the future it could only be a smaller number and it would be more for certain top level talent that we may recruit, you may need to understand one thing that Justdial has a very large percentage of the management team, which has been around for a decade and they play very, very critical role in taking the company forward so these last few rounds of ESOPS was majorly focused on this talent pools that we have, keep them aligned with the company's interest and hence you saw these increase in ESOPs, but in the future it will be restricted to only certain top level talent or high level engineering talent that we may recruit in the future this would be given so that will be a much smaller amount.
- Pulkit Singhal:** Lastly in terms the Search Plus, how many SMEs are now registered for first person and how many are kind of actively using it out of those registered?
- VSS Mani:** The categories where Search Plus is active you would invariably see most of our paying customers have activated it, so it all depends on how often how fast you can start it. For example we have about 3500 cab rental companies, car rental and cab companies registered with us. We are now developing a cab-hailing app. So this cab hailing app will be so unique that it would allow you to call yellow cab or a cool cab or a branded cab or a private car and for user in one click you would get to see what is available near you and what are the likely rates for each type of cab rental that it is there. All of these 3500 companies are there with the fleet of cars are definitely going to be part of this, but the surprising thing is when we did survey in the market a huge lot of drivers and car owners were associated with some brand or other they have indicated that they would love to download this app and make their availability known to the Justdial users. Basically if the cab driver is idle he can be visible on the Justdial car-hailing app irrespective of the brand that he is, makes life easy for users and consumers. Since they are win-win for everybody so you would suddenly see that probably a 100,000 car owners who are affiliated with some cab company or the other would be using the Justdial App for a customer. This is only extended to hailing an ambulance or towing service, electrician, plumber, the technology remains

the same, but the consumers it is like one click you get to see the plumbers near you including their ratings and how fast they can reach you.

Pulkit Singhal: I think that is pretty exciting I mean in terms of leveraging their services aspect of it but to do that are you kind of creating specific apps for these different categories I mean in terms of the backend?

VSS Mani: The core engineering remains same. There are not much of changes that take place. A little bit of UX, UI you have to think specific to the categories and the third important thing is of course effort that is spent in educating these products to the vendors and so that is where the investments are right now for all our Search Plus initiatives.

Pulkit Singhal: Just on the tracking perspective, I mean obviously from strategic region, we may not know much of operation details, but from financial perspective I mean when do we start seeing some impact on this, is it one year, two years three years down the line or how do you look at it?

VSS Mani: See the way we look at our business is there is a short term long term and when I say short term is never a short-term objective. It is just that certain goals are to be met, so when you say we grow our business 30% year-on-year that is obviously a goal set and we are working towards it. With that clear visibility of such goals then we invest far more aggressively in long-term strategies, which we do not want to stunt it by trying to monetize and limit the market. Our idea is to disrupt, not allow new players. As you can see our biggest competition today is the Venture Capital who are trying to fund verticals and it is trying to make those verticals happen. But imagine we do all of this that kind of capital will be dried up because they would see in the Justdial really ramps up, moves out fast and the product become so successful that they do not want to compete in that way so that is more important for us to look at.

Pulkit Singhal: Would you look to acquire?

VSS Mani: See we would only look at acquiring if there is somebody who really gone miles ahead, which we feel that it is not it, will time to market it will take a longer time and it is worth acquiring somebody but we would not acquire somebody because that other person has also started his business.

Pulkit Singhal: Thank you.

Moderator: Thank you. The next question is from the line of Pinku Pappan from Nomura. Please go ahead.

Pinku Pappan: Thanks for taking my question. Ram, you mentioned that you are obviously making investment into your businesses and ploughing back some of the margins. I want to understand except may be the marketing spend that comes up when you launch your Search Plus commercially expect that marketing spend how should one think about margins would it be stable at current levels or do you think there should kind of trend down given that you continuously invest in?

- Ramkumar K:** See we believe that it will be stable. As I mentioned the incremental margin expansion opportunity is there that we are investing that so it should be stable. I would put it this way. That is the trend that we are looking at.
- Pinku Pappan:** Okay and just quickly, the ESOP charges how are you expensing it? Is it a onetime expensing or are you kind of straight lining it over the period?
- Ramkumar K:** Yes it is straight lined over the vesting period.
- Pinku Pappan:** So the current quarter charges of around Rs.31 million are that going to sustain over the next few quarters I mean till the end of the vesting period?
- Ramkumar K:** Yes it would.
- Pinku Pappan:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Gaurav Malhotra from Citi Group. Please go ahead.
- Gaurav Malhotra:** Thank you for the opportunity. Congrats on a good set of numbers. Just had two three questions, you know firstly on this ESOPs to get a little bit more clarification so x of the ESOPs what would have been the employee cost and how should we look at it going forward?
- Ramkumar K:** As a percentage of revenue x of this the employee cost came down to about 48%, if I am not wrong. So, yes that trend would continue around 48% - 49%. As I mentioned we are continuing to invest in the sales and market and engineering talent so you would see ranging around 48% to 50% as and then you know in this range as you move forward so that's the outlook there.
- Gaurav Malhotra:** This ad spends which you mentioned of 25 Crores to 40 Crores, is this the marketing spend for the entire year or this is for the Search Plus which will happen in Q4? Sorry I did not get that.
- Ramkumar K:** No. It would not be on Q4. What we are saying is that we anticipate that spend could be in that range but that will be for the entire launch of the one-time spend that we are talking about on Search Plus. It could be slightly around that range of 40 Crores or so but this will be a one-time spend.
- Gaurav Malhotra:** X of this onetime spend how should we look at the marketing cost on an annual basis?
- Ramkumar K:** The marketing costs will be in the range of about 3% to 5% that we usually spend.
- Gaurav Malhotra:** Just how many times has the app being downloaded and if you could just give us some sense on what the number of transactions, which are happening on Search Plus on a daily basis?

- VSS Mani:** Currently Gaurav, we are working on something called 123-click point, 123 transact. That is the goal that we have set. So whether it is for Movies, Restaurants, Hotels, Doctors, Cab or Florist or movers or anything under the sun you just take 123 clicks to find and three clicks to transact. You could also use on our Android App what we have a voice search feature. The voice search feature at Justdial App is one of the best in the world. You can try it out. You can try weird things in any city in India or any product or any company anywhere in India, any business name you would get it instantaneously at 95% accuracy. We do not feverously try to spend money to get inorganic down load of apps putting crazy ads in gaming companies and all kinds of things that you see. As you know Justdial is not a herd mentality company so we do these things very, very differently. So we are almost 98% of our apps are all organic downloads and we are pretty happy with the way things are because if you look at any world class products whether it is a WhatsApp or a Facebook or all those other products that we use, Twitter, it is always the product that has motivated users to download it by spending money on app downloads now it is a crazy price of \$3 to \$4 actually for download makes no sense whatsoever.
- Gaurav Malhotra:** Just even if I could just have one more question, since you mentioned about the fund raising of around 1000 Crores and it is going to be use for inorganic opportunity. Any thoughts on this given the fact that we are seeing such for lack of better word crazy valuation which are happening in the Internet sector on the private side so any sense on how should we look at it whether it is going to be like a part state buy or you would like to buy it outright completely any sense?
- VSS Mani:** We can guarantee you one thing we would not jump into any such adventure right now. We are keenly observing the market and there is no immediate company to even look at to grab it. So we would never do a deal which is soft crazy evaluation and the money fund raising is for various strategic reasons. We are a market leader and we have to see what is happening in the current ecosystem, what are the other leading players doing it potentially we are disrupting their space so there could be many things possible, hence we are arming ourselves with the warchest and which is no less to any other player. They may be burning 1000 Crores a year. We would continue to probably add couple of 100 or 300 Crores every year. I am just saying that it makes strategic sense as per the Board of the Justdial to raise the money and look at opportunities.
- Gaurav Malhotra:** Thank you.
- Moderator:** Thank you. The next question is from Ankit Kedia from Centrum Broking. Please go ahead.
- Ankit Kedia:** Sir my question is on the Search Plus operation in each of the verticals could you share what could be our share of margins and what will be our business models given that for the hosting solutions and now we are going to give them free to disrupt the market so for each of the say for Hotel Bookings and stuff we are charging it for 5% to 7%. Now for most of these things what could be the blended margins to build in?

- VSS Mani:** Like we said our immediate focus is not to really push revenues from Search Plus. We want our businesses in India to get used to this and obviously Search Plus per se will have a phenomenal margin as compared to the regular product because once sold and you are paying as per a product sold or a service sold and there is no extra effort from the company to kind of constantly go to the customer like we do in search engine we go back to the customer for renewal for optimization and various other things but whereas in Search Plus that would not be the case, when it pans out it would be a product with great margin, but the point here is to invest and make it so good that when you as user could just dial you are not disappointed. You are able to do all your activities because you are able to transact online for anything and everything. In fact I do not know if I told you about this that in Search Plus one of the most critical thing is payment. The payment is like it could be a micro payment it could be customers, who do not accept credit cards or there could be all types of users with you, some use bank accounts only, some use debit cards, some use credit card so we are reducing this like **(inaudible) 53.08**, we are introducing JD Cash. Cash would be a big, big plus you know the new transact was pretty much even a small pan shop next door and you would have your services rendered at your doorstep may not have to pay cash because you paid through Justdial and that JD Cash takes care of this whole initiative. So our goal is to get as many businesses online at Justdial and make it so easy for them to collect the money and render the service.
- Ankit Kedia:** Sir on the M&A part for which we are raising money part of it could you outline three or four places which we have in mind would it be on the analytical part of the business would it be on the product side would it be on the App side where we are looking?
- VSS Mani:** M&A could be an objective is what was said. I do not think we have any such clear things in mind.
- Ankit Kedia:** Sir my last question is for Ram. Ram you said the margins would be stable but if you look at last two or three years we have exponential margin expansion given that our A&P spends would be in the 3% to 5% range so where would the money go and why would not the margin expand then given that the other expenses are also pretty much stable?
- Ramkumar K:** See margin if you see, we had a year back we had a quarter when we did 35%, but you need to understand when you rollout something like Search Plus there is a lot of money that gets into investment in the products that we have rollout, the engineering challenge that we spend, a whole army of people who work only for Search Plus but that does not generate revenue so all these investments is what is reducing the margins and we as a company we do not capitalize our software spends. So even we churn out a product a quarter or two products or whatever, we expense it out every month so that is why the margins are taking a hit but that is a healthy sign.
- Ankit Kedia:** Sir historically we were told that the same employee will be for the Search Plus as well as for the Search operations so could you give us the breakup the incremental employees which we have specifically for Search Plus?

- VSS Mani:** In Search we need to understand that the monetization side it would be the same set of employees but on a product new product, education, getting them on board need not be through your expensive sales resource because then what will happen you will get an impact on your sales. The sales would probably go down. So you have to have an army of people who are nonsales but they are the ones. For example I said spoke about this Doctor's app, which we have to reach out the 340000 doctors to tell them, Hey! It is like opening an e-mail account and you get third of it. That is it. Teach them how to go about and do this, our nonsales people do those. So support those doctors when they have challenges in using the software we will have an army of people who attend to that so that is where the difference is but it is once empowered, enabled they do it themselves. It is not like every now and then you have to teach them.
- Ankit Kedia:** Sir just a follow up on that so from a 9000 employee base as Ram mentioned out employee base would not increase from more than 1250? This is just a followup question on the earlier question.
- Ramkumar K:** The employees are you can see that we have also have increase in employee and in this Search Plus was announced in January this year and since then we have added a lot of people for all these projects and they move on from one project to other so I do not have to take new or new people as we rollout new products the very same people are getting neutralize optimally.
- Ankit Kedia:** Thank you so much.
- Moderator:** Thank you. The next question is from Rajiv Sharma from HSBC. Please go ahead.
- Rajiv Sharma:** Just two questions I have is first is, the Search Plus thing is getting delayed in terms of monetization or launch because earlier notion was that it was second quarter this fiscal year it seems now that we are somewhere around fourth quarter and we may come out with the premium model and we may not charge till first half of next fiscal year so is that reading correct? So if you can just provide some color there? Second question is this reverse bidding has been a very special thing which you have been talking about Justdial but there are sites like you know Junglee.com which are highlighting are allowing users to compare prices and somewhere also while going to your Search Plus thing I am getting a feel that somewhere the Search is getting compromised because its getting more about search plus in terms of you know prices available and you would not really getting to the local vendor maybe at you know 123, at 3 may be your striking to the local vendor so that's it from my side?
- VSS Mani:** I think actually one question at a time would be easier. So first is let me answer your Search Plus monetization. We never ever said we have going to monetize Search Plus in any of our last so many calls, interactions, the analysts meeting and all that. We always said that Search Plus revenue we look at 18 months down the line this has been consistently our this thing, we may be making some revenues but I do not want to really talk about it its not significant and Search Plus we need to understand differently, we need to understand as you as a user what would you want at Justdial you want to search and you want to see the transaction capability because that is how you are evolving and so are the people of India evolving so that is our main objective to have

every type of business available there or listed out there to have the capability to take your orders online. So that is our goal hence monetization has to take a backseat. To answer the question of are we compromising on a Search engine because of Search Plus, not really so. When you look at any product you look at only one user you cannot look at your monetization and then say I will look at my product from the monetization standpoint then you are potentially going to get disrupted like most other companies worldwide get disrupted because they do not innovate, they do not change with their customer's needs. Here the need of the hour is the customers want the price along with the listings so they would like to see the price and they may even sort it by the lowest to highs. They may do several things. The vendors will learn by themselves and then you see that the overall usage goes up. So the overall usage goes up. For example, you mentioned about Jungle.com just now. We are going to allowing online companies to publish their prices at Justdial. We are already talking to two large ones. So they could also be there for the Sony Xperia example that I gave they could also publish their prices that this is what the price available at our site but you will also have a JD vendor who is listed, who has a shop brick and mortar shop in your neighborhood, which would be hyperlocal and who could probably come to you within an hour and probably offering you a better price. So what we want to focus is the users. Whatever the users wants if we can save time for him by giving prices of two three large e-commerce companies as well as the dealers who are in his neighbourhood and thereby he chooses what is right for him along with Justdial's thing he will have a Justdial guarantee so in terms of trust and other factors you can blindly trust because JD is giving the guarantee so makes life easy for our users and that is what we are focusing on.

Rajiv Sharma:

That is useful. Thanks a lot.

Moderator:

Thank you. Ladies and gentlemen, due to time constraints that was the last question. I now hand the floor over to Mr. Mani for closing comments. Over to you Sir!

VSS Mani:

Ram you would want to probably take it and give suggestions to the entire audience here is that please understand Justdial as a company, which constantly evolves and constantly changes. We are a company, which has a reputation, the tradition of disrupting even our own model, hence we are grown leaps and bounce in this many years. We are highly, highly bottomline-focused company. We do not do things, which are fashionable like it is good to burn money, grow the topline. We are very old fashioned that way. We do not burn money. We do not buy revenues whatever we do we believe whatever at there is no change in our philosophy in the last 18 years of our existence. So that is want I want to tell.

Ramkumar K:

Thank you guys.

Moderator:

Thank you. Ladies and gentlemen on behalf of Barclays Securities that concludes the conference call. Thank you for joining us. You may now disconnect your lines.