Justdial®
India's No. 1 local search engine

October 26, 2023

To

| BSE Limited | National Stock Exchange of India Limited | Metropolitan Stock Exchange of India Limited |
|---|---|---|
| Department of Corporate Services<br>Listing Department<br>P J Tower, Dalal Street,<br>Mumbai - 400001<br>*Scrip Code: 535648* | Listing Department<br>Exchange Plaza, Plot no. C/1,<br>G Block, Bandra-Kurla Complex,<br>Bandra (East), Mumbai - 400051<br>*Scrip Symbol: JUSTDIAL* | 205(A), 2nd Floor,<br>Piramal Agastya Corporate Park,<br>L.B.S Road, Kurla (West),<br>Mumbai - 400070<br>*Scrip Symbol: JUSTDIAL* |

Dear Sir/Madam,

**Sub.: Transcript of Earnings Call on Unaudited Financial Results (Standalone and Consolidated) for the quarter and half year ended September 30, 2023**

In continuation of our letters dated October 17, 2023 and October 23, 2023 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Earnings Call held on Monday, October 23, 2023, at 6.00 p.m. for discussing operational and financial performance of the Company in the quarter and half year ended September 30, 2023 and the same is available on the Company's website at https://www.justdial.com/cms/investor-relations/earnings-call-transcripts

We request you to take the above on record.

Thanking You,

Yours truly,

**For Just Dial Limited**

MANAN YOGENDRA UDANI

Digitally signed by MANAN YOGENDRA UDANI
Date: 2023.10.26 16:44:14 +05'30'

**Manan Udani**
**Company Secretary**

Encl: as above

# Just Dial Limited

# Q2 FY '24 Earnings Conference Call

# October 23, 2023

**MANAGEMENT:** **MR. V.S.S. MANI – MD & CEO**

**MR. ABHISHEK BANSAL – CFO**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Just Dial Limited Q2 FY '24 Earnings Call. We have with us today Mr. VSS Mani, MD and CEO, and Mr. Abhishek Bansal, CFO of Just Dial Limited.

At this moment, all participants are in the listen-only mode. Later, we will conduct a question-and-answer session. At that time, you may click on the raise hand icon to ask a live question. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Bansal, CFO, of Just Dial Limited. Thank you, and over to you, Sir.

**Abhishek Bansal:** Thank you. Hi, everyone. Welcome to Just Dial's Earnings Call for Second Quarter of Fiscal '24. Our operating revenue for the quarter stood at INR260.6 crores, witnessing 27% year-on-year growth and 5.5% on a sequential basis. This growth is primarily driven by healthier collections, which we have witnessed during the past quarters.

Our last 12-month collections have grown about 38% year-on-year. EBITDA for the quarter stood at INR48.8 crores, representing a margin of 18.7%, which is an improvement of 10.4 percentage points on a year-on-year basis and 387 basis points on a sequential basis. In absolute terms, EBITDA had a very healthy 33% sequential growth.

As we have been highlighting earlier that our cost control measures should show up as margin expansion on a quarter-on-quarter basis, the same is playing out. Our employee headcount stayed flattish on a year-on-year basis, down about just 1% and declined 3% sequentially.

Overall, employee count focuses on maximizing productivity and bringing in efficiencies across departments. Our other expenses witnessed a muted 2.8% Y-o-Y growth and were down 4.7% sequentially. Advertising spend stood at approximately INR5 crores for the quarter.

Other income stood at INR57.9 crores. We expect approximately INR75 crores a quarter of other income. This is 7.2% yield to maturity that is embedded in our treasury portfolio. But it can have variations basis movement of bond yields during the respective quarter since yields went up about 15 basis points, 20 basis points for our treasury's tenure during last quarter. Our other income was a bit lower at INR57.9 crores.

Profit before taxes stood at INR92.1 crores, growing 43% year-on-year. Effective tax rate stood at about 22%, which is presently on higher side, since bulk of our treasury mark-to-market gains are currently short-term in nature. And hence, provisioning for those taxes happens at full tax rate currently. Once they will cross the three-year holding period, higher tax provisions will get reversed. PAT stood at INR71.8 crores, growing 37.5% on a year-on-year basis. Sequentially, due to drop in other income, there is a 13.9% drop.

Second quarter collections stood at a very healthy INR278 crores, growing about 21% year-on-year. Consequently, deferred revenue, which is advances received from customers has grown to INR468 crores now, and it grew about 23.6% on a year-on-year basis. Active paid campaigns at the end of the quarter stood at about 561,000, which was up 11.3% year-on-year.

Average realizations have grown about 14% year-on-year. So, growth is coming as a mix of both campaign additions and improvement in realizations. Overall, cash and investments stood at INR4,282 crores as on quarter end.

Coming to operational highlights; Total traffic stood at about 172 million unique users for the quarter, growing about 10% year-on-year. Mobile traffic, which now forms majority, 85%-plus of overall traffic at 148 million users grew about 12% year-on-year. Organic traffic, what we call as free traffic, has been growing steadily, which has held in reasonable traffic despite very low advertising. Total listings have now crossed 40 million.

Overall, it has been a quarter panning out in line with expectations on most fronts, be it traffic revenue and even improving margins. Recent cost controls and healthy collections should help us see improving top line trends going forward and even margins continuing to expand as we have been discussing earlier.

With this brief update, we shall now open the floor for questions and further discussion. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We have our first question from Darshil Jhaveri from Crown Capital. Please go ahead.

**Darshil Jhaveri:** Yes. Congratulations on a great set of results. I just wanted to ask any guidance for FY '24? Will we be able to reach our 25% EBITDA? And how would you see sequential growth going forward? Can we continue on a run rate of maybe 20%, 25% growth for the next two years, three years?

**Abhishek Bansal:** So, Darshil, this is what the objective is on top line, grow this business, sustainability at a 20%-plus kind of run rate and margins of 25%-plus. In this particular quarter, on a reported basis already margins are very close to 19%. And most of our expenses for the quarter anyway hit our P&L during that particular quarter itself, apart from incentives, which tend to be revenue linked.

So, against my total INR211 crores of operating expenses for the quarter, while accrued revenue in P&L was INR260 crores, I actually collected INR278 crores. So, on a sort of cash margin basis, the business already is generating closer to 25% kind of margins. And as we move into future quarters, that obviously will start reflecting in P&L as well. And as can be seen in the last few quarters, there has been a continuous quarter-on-quarter margin expansion.

**Darshil Jhaveri:** Sir, that's great, sir. So just wanted to know, sir, if we have the seasonality for maybe the festive season of Q3 would be higher? Or how would we term seasonality in our business? Like could we see more revenue coming up because it's a festive season, how would it work?

**Abhishek Bansal:** So, Darshil, in our case, our subscriptions tend to be mostly annual subscriptions. So, the seasonality is not there because of festive months as such. On the contrary, slightly the seasonality was on the downside because in these particular months, the certain businesses are busy in their specific festive season, etcetera.

Overall, on the traffic side, we do have a bit of seasonality in terms of summer months doing well because certain categories on, say, AC repairs and services or, say, tutorial related categories, etcetera, tend to do well in those summer months. And on monetization side, the last quarter, fourth quarter typically tends to be highest revenue-generating quarter for us. But that is more that historically since typically February, March or fourth quarter tends to have higher subscriptions. Those renewals end up getting done every year in fourth quarter. Otherwise, there isn't much of a seasonality factor.

**Darshil Jhaveri:** Okay. So just one last question. So, sir, we're probably going to reach INR1,000 crores revenue by this year. And so maybe next year onwards, on a reported business will we be able to see 25% because our leverage will kick in for sure by next year, is that fair to assume?

**Abhishek Bansal:** So broadly INR278 crores is what we collected this particular quarter. And whatever amount we collect typically gets recognized over next 12 months. So, basis that if current growth rates continue, then yes, there could be 20%-plus kind of top line growth as we have been targeting.

**Moderator:** Thank you. We have our next question from Saumil Shah from Paras Investments. Please go ahead.

**Saumil Shah:** Sir, my question is on a broader perspective because what are we doing so special that Google is not doing? Because if say, someone wants to search for a restaurant or, say, any hardware shop, they will just go on Google and search for it. So, in that scenario, what are we doing so special that Google is not doing? Or maybe how do we take some market share from Google?

**Abhishek Bansal:** So Saumil, on Google being the platform for users. One thing we need to understand is that India typically is a 90%, 95% android smartphone market. And in android, the default browser is the Chrome browser. So as a user, my behaviour is typically to go into that chrome search part, type my search query. And that triggers that default search engine as Google. So not just in India globally also, there are platforms that draw a significant amount of traffic by Google itself.

Now the second part of this particular question would be that for local businesses to get searched, today, you can find in certain categories, those particular businesses listed on Google as well. But our experience has been that the strength of our business comes one, due to breadth of listings that we are able to offer in each particular category.

Second, in terms of depth as well. So, the kind of the quantum of information, the rich content that we are able to serve and the localized results. So, if you're searching for something in Malad West, we will definitely be able to cater to exact results from Malad West. Those kind of -- that kind of search experience probably is not replicable.

Plus, the global search engine also has a bit of restrictions in terms of their structure that their AdWords results come on top, followed by local listings, followed by organic SEO results. And in certain cases, SEO results come even ahead of the local listing part. So that way, a commercial intent-oriented search engine such as Just Dial in serves the key purpose of finding

SMEs and in a country like India, which is 70 million, 80 million search businesses there is a -- our particular platform is able to deliver better depth and breadth of local search results.

**Saumil Shah:** Okay. And I mean, what would be our market share in India?

**Abhishek Bansal:** So, there aren't any specific studies or such data points that I am aware that get released regarding market share. And I believe it is very difficult to assess as well.

**Saumil Shah:** Okay. And sir, my second question is on the other income side. Because on a yearly basis, I mean, how much other income we can expect? Because on a full year basis, I mean quarterly, it is difficult to judge since there is a lot of fluctuation due to bond yields. So, say, on a yearly basis, how much other income can we expect?

**Abhishek Bansal:** So current invested treasury portfolio is about INR4,250 crores-odd. On that INR4,250 crores, the yield to maturity of our portfolio currently is about 7.2%. And the average duration or the modified duration of the portfolio is about three years. So, if bond yields or rates were to remain constant, then basis 7.2% on that INR4,200 crores, which comes to, say, around INR290 crores to INR300 crores is what should be the treasury income.

But again, for example, last year, throughout the year, bond yields kept going up. So last year, treasury MTM gains were muted. And when the cycle will possibly reverse anytime in future years, that particular year could have much higher gains as well versus the 7.2%. So, on a longer two years to three-year time frame, I would say that 7.2% per year is what we should be earning because that is the YTM of our portfolio.

**Saumil Shah:** Okay. So as per the current bond yield, even the current quarter would be lesser than 7.2%?

**Abhishek Bansal:** So, this particular month, yes, again, bond yields have hardened a bit. So, we'll have to see how these pan out. So MTM gains typically depend on where the quarter ends. So, we'll have to see how it goes. But again, these are sort of temporary fluctuations. They should be seen on a longer-term time frame.

**Moderator:** Thank you. We have a next question from Anupama Bhootra from Arihant Capital. Please go ahead.

**Anupama Bhootra:** So, I wanted to understand what kind of penetration do we have when it comes to Tier 3 and Tier 4 cities, very small towns in terms of mapping and usage? This is my question one.

And what is the status when we talk about these new initiatives, which includes JD real estate experts and shopping? So yes, these are my questions.

**Abhishek Bansal:** So, on Tier 3, Tier 4 versus others, typically, the way we look at is top 11 metros versus outside top 11 cities. So, in terms of count of customers, we have about 40% customers coming from top 11 metros and rest about 59%, 60% from Tier 2 and beyond. On the monetization side, about 59% comes from Tier 1 cities.

If we were to look at in terms of search patterns or the split of 40 million businesses that we have, that would possibly be again, say, around 50%, 55% coming from outside Tier 1, say, top 11 cities and rest about 45% from Tier 1 cities.

Regarding your second question around new initiatives. So, as we have discussed over the last couple of quarters, the new initiatives primarily aim at adding a transaction layer over the local search results that we already deliver, be it in services via JD experts or possibly on the product side via JD shopping, etcetera. So, these platforms are already ready. In services, we even delivered about 100,000, we catered to 100,000 live transactions over the period of last 12 months to 15 months.

Now the key question in front of us is that at what point of time do we think that, okay, we should be spending money in order to incentivize both users and possibly merchants as well in order to boost transactions. At this point of time, the way we see it that it is for sure going to be negative unit economics business. Another key consideration for us is that in several of these categories, we already have subscription revenue coming in, which will also get cannibalized.

So, if we were a new entrant, new vertical player, then possibly the impact would have been only to consider the negative unit economics aspect. But for us, it is also about whether the INR50 crores that I am earning from some of these categories annually. Can I own similar kind of actual revenue generating positive EBITDA over these. So, I think we'll wait for a few more quarters before we decide to splurge money on these initiatives. From the product aspect, they are fully functional at this point of time itself.

**Anupama Bhootra:** Okay. And one more small question, just a data point. What was the B2B contribution in this quarter and monthly sign-ups?

**Abhishek Bansal:** So, about 25%, 25.5% revenue came from B2B segment customers. And in terms of monthly subscriptions, about 65% of businesses were signed up on monthly plans.

**Moderator:** Thank you. We have our next question from Niraj Kamtekar from ProsperoTree. Please go ahead.

**Niraj Kamtekar:** Sir, my question is related to the utilization of the cash balance lying with the company. Sir, before the Reliance was -- became the co-promoter of the company, Just Dial has conducted the 3x the buyback of the shares and rewarded the shareholders. As on FY '21, the cash balance was around INR1,600 crores, and Reliance has introduced another INR2,200 crores. That -- the sum of INR3,800 crores. And today, the cash balance is around INR4,300 crores against the market cap of INR6,300 crores.

Even the company is thinking of any acquisition or expansion, sir, I don't think that we require such a huge cash balance with us. Is it not proper to reward the shareholder either in the form of buyback or dividend? At least what we are earning on our treasury business. Can the -- company should distribute something with the shareholder?

**Abhishek Bansal:** See, regarding the buybacks that you mentioned, one point to note is that some of those particular buybacks were done at a time when the taxation rules pertaining to buyback were different. At this point of time, whether we -- even if we want to distribute cash to shareholders, the various mechanisms, be it dividends or buybacks, they attract a certain tax, be it at company level or in the hands of the recipient.

So, at this point of time, the Board has not taken a decision whether we want to distribute that particular cash, etcetera. So, this particular cash at this point of time is deployed in the safest and most efficient instruments available. And in future basis, how business plans pan out, we will take a call along with the bold on the usage of this particular cash.

**Niraj Kamtekar:** But sir, when the dividend or buyback is done, the tax is applicable to the -- all the shareholders, whether it is a promoter or non-promoter. So, what stops you from distributing the cash? Because even the 7.2% yield you are earning at the company level, is it enough earning on the cash balance?

**Abhishek Bansal:** See, the tax ultimately is a particular -- while it is same for all the shareholders, but that particular tax will actually be paid out, right? So that 7.2% post-tax is what will shareholders earn. Though at company level, the effective tax rate will be 10%, 12% on our treasury gains. Having said that, the point is relevant that there is a significant amount of cash in the company. And at some point of time, there will need to be a decision on either utilization of this cash or distributing it back to shareholders in the most efficient manner at that point of time.

**Niraj Kamtekar:** But sir, I would like to share my view that the shareholder or investors are not putting or investing the money in the company, which are heavy on the cash and less on the business. Because we want the operating profit, not the treasury income, and we have enough cash and our business itself is generating a good amount of cash and profit. So, you must declare something or you must distribute some amount of the money which you earn every year to the shareholders, sir. It's my suggestion because otherwise, many investors are not happy with the company, sir.

**Abhishek Bansal:** So, point taken, we will take this up with the Board. So, a relevant point, we will take it up.

**Niraj Kamtekar:** Okay. Sir, and second last question, how we are different from the IndiaMART?

**Abhishek Bansal:** See, we earn only about 25%, 26% revenue from B2B categories. So, the majority turn, 3/4 of our revenue comes from B2C-oriented category. So, our strengthen from day one has been to get to a real estate agent, a packer and mover, whatever spa, salon doctor, dentist, all these B2C kind of categories.

In B2B categories as well, we have over last two years, three years worked extensively to create catalogues for businesses. At this point of time, we have about almost 1 million reasonably rich catalogues for businesses, which are getting augmented on a day-by-day basis, which is what is helping us with the incremental revenue growth as well.

**Niraj Kamtekar:** Sir, there is any plan, just like earlier the JD Mart was introduced once again, we will come with another app or refocus on the B2B segment.

**Abhishek Bansal:** So, for us, what we have observed is that our traffic gains for the core platform itself are much better versus creating a separate particular platform. So, at this point of time, we have both the stand-alone apps for the B2B segment as well as the core JD App, which has all the content pertaining to the digital catalogues. And at this point of time, about 14%, 15% of the overall traffic comes for B2B-oriented categories, which was just about 7%, 8%, say, five quarters, six quarters back.

**Moderator:** Thank you. We have our next question from Rishabh Shah from Dalal & Broacha. Please go ahead.

**Rishabh Shah:** So, my question is, can you may be specify how many categories we are present in right now in total?

**Abhishek Bansal:** So, Rishabh, for us, for search purposes, every particular keyword is one search category. For example, 5-star hotels is one, chemists is one. So that way, we would have more than possibly 400,000 keywords. But broadly, I mean, any category, any commercial intent search-oriented category that you could think of? I'm sure you will find it on the platform.

And no single category contributes more than, say, around 3% to 4% of the revenue. So that way, revenue base is highly diversified.

**Rishabh Shah:** Okay. So, my question is that, that if we look at the vertically integrated platforms that are there like for food delivery business Zomato and for medical businesses, Practo. So, like now people are focusing more toward those -- people are getting attracted toward those kind of areas. So now where do we stand to compete these kind of companies? Like could you please elaborate on this?

**Abhishek Bansal:** So, Rishabh, this, we are a horizontal platform, right? So, there has been this particular discussions to debate about the horizontal versus vertical, whether users are gravitating toward vertical platforms, etcetera. My assessment is that as a user, you need both kind of platforms. There are times when I possibly go to a vertical platform to get my job done. And there are other times where there are so many categories where there isn't a critical mass of users in India to create a vertical platform that there is definitely a merit in coming to a horizontal platform.

And since I'm coming for all such categories, many of the times, even the vertical-oriented categories, users end up reaching out to the horizontal platform itself. The fact that we have 170 million-plus quarterly users coming in. In a country like India, you do need to search for SMEs, day in and day out.

So, I mean, verticals since a majority of them are sort of bleeding even today or are just sort of about to touch profitability, which we'll have to see how sustainable it will be in the light of whether past growth can be achieved or not. So, from our perspective, we are very clear that core business should grow at a healthy 20%-plus top line level with a reasonably healthy 25% plus profitability.

**Rishabh Shah:** Okay. And I have another question, which is for the previous quarter, we announced a INR30 crores newer initiative. Now this particular amount is very unclear for where it is being used. Can you please specify in the usage of this amount?

**Abhishek Bansal:** So, the two platforms that we created, one for services, other for product-related transactions. Those two platforms over the last four quarters to five quarters, we built on a total capital outlay of about INR30 crores. Majority of it was spent last year, fiscal '23 in the middle of last quarter, since those particular platforms were ready, that particular amount moved from intangible assets under development or call it, CWIP to fixed assets. So, they have got capitalized now, and they will get depreciated over the useful life of the asset.

There is no incremental capital expenditure that is happening specifically for those platforms. Those platforms are getting maintained, etcetera, but those particular expenses are being expensed in that particular quarter itself. They are not getting capitalized anymore.

**Rishabh Shah:** Okay. And sir, can you please tell me about JD Omni where there is this data analytics part, which is entering into the segment? And how it can lead to a more stable earnings and higher profitability. Can you just specify on this about JD Omni? How are we -- and strategies are we planning for?

**Abhishek Bansal:** So, JD Omni is essentially an end-to-end cloud-hosted business management solution. So, if you are an SME and you want to completely digitalize your business, including operations, you can use the entire JD Omni suite and actually run that particular business via JD Omni.

At this point of time, basis customer feedback, the key component of JD Omni that we actually actively work on and that we actually sort of bundle with our core business subscriptions is the website component. So, businesses want their own website, which we sell to high-value customers as part of our JD listing subscriptions. So, our pitch to a particular SME is that in case you buy a higher value package, we also create a website for your business till the time you keep paying money to Just Dial, your particular website, etcetera, will continue. If you stop in, then these get discontinued. So that is what we are leveraging from JD Omni at this point of time.

**Rishabh Shah:** Okay. Okay, sir. And sir, can you please be -- can you be specific about employee cost as a percentage of your sales, which is approximately, if I take for FY '23, I may be wrong, please correct me, it may be 77.1% of it. So, are we keeping that number on a steady-state basis? Or are we -- we may increase that number? Or is there any addition to that or any changes?

**Abhishek Bansal:** So, within operating expenses, the two key line items are employee expenses and other expenses. Other expenses at about INR26 crores, INR27 crores a quarter are at sort of steady state. The key delta, which we possibly expect in other expenses comes out of advertising. In case we step up advertising that can possibly go up. On the employee expenses part, last year, 77% was on a higher side because we had done significant bit of hiring and whatever revenue generation happened from that hiring that benefit is coming in now in this particular fiscal year.

So, we do not expect material increases in employee expenses. As you can see in the last 3, 4 quarters, headcount has largely sort of stayed flat. And employee expenses as a percentage of revenue should keep declining as we move into future quarters.

**Rishabh Shah:** But any steady-state number can you give?

**Abhishek Bansal:** So steady state number, I mean, if business is operating at a steady state of, say, 25% EBITDA margin and a 10% or 11% is going in other expenses. Then effectively, that implies, say, anywhere around 62%, 63% materializing from employee costs.

**Rishabh Shah:** Okay. Okay. And sir, can you tell me how much percentage of our buyers are repeating as in how many repeat buyers are there of our services and is it growing? Or is it steady?

**Abhishek Bansal:** I presume by buyers, you mean the merchants taking JD subscriptions?

**Rishabh Shah:** The paid campaigns -- yes, yes, but how many are repeating? Yes, repeat rate, yes.

**Abhishek Bansal:** So paid campaigns are typical, 1-year repeat rate is approximately around 55-odd percent. So, if 100 customers sign up today, 1 year down the line 55% go into year 2. But in our particular case, it's not the case that even if a customer has not gone into a year 2, 1 year down the line, they have churned out forever. They could come back into the paid ecosystem 1 quarter or even 6 months, 1 year later as well. Plus, there is some bit of natural attrition that happens because SMEs itself changed their business in that particular time duration. Most importantly, these trends have been similar for even last decade. So, they have held very much steady.

**Rishabh Shah:** Okay. Okay. And sir, in one of the con calls, you had mentioned that out of 80 million SMEs, we are planning to go to the active paid campaign of, let's say, 1%, that is INR8 lakhs. So, any guidance over there? I mean, are we closing over there soon, pretty sooner now?

**Abhishek Bansal:** See, so the way we look at it is that overall revenue should grow at, say, 20%, part of it or say, almost half of it should materialize via campaign additions and rest via increase in pricing or realizations. We are not that obsessed with that, okay, the volume component should grow at -- be it even at the expense of declining realizations.

So, a steady 10%, 12% volume growth from current levels is what we would sort of build in over the next 2, 3 years. But again, the key is that this is keeping in mind that the overall revenue growth should be 20% plus. There could be geographies where volume growth could be much higher and there could be geographies where we might have entered with much lesser pricing, say, INR999 a month, where there could be a 25% price hike itself that could be taken.

**Rishabh Shah:** Okay. Okay. And I have one more question. That is, since we are increasing our realization. So, we know that we are becoming aggressive on that part, but are we going to be as much aggressive in the coming years -- in the coming 2, 3 years or somewhere on the line? Can we -- can you share that?

**Abhishek Bansal:** Sorry, what do you exactly imply by being aggressive?

**Rishabh Shah:** I mean, since we are increasing our realizations. So, we -- I mean, are we going to be this much aggressive -- are we going to be keeping -- are you going to keep increasing our realization at the current level every year or every 2 years, 3 years, maybe so.

**Abhishek Bansal:** Okay. So, on an average blended basis, my current monthly realization comes to, say, around INR1,550 a month, okay? So, which translates into Rs. 18,500, say, INR19,000 per annum, which for SME is highly reasonable at this point of time. Secondly, we see 2 types of subscriptions. One is the premium subscriptions. The other is the non-premium listings. In premium listings, the price hikes are very much linked to the traffic growth.

So, if I'm able to deliver, say, 20% traffic growth in a particular category, I don't mind taking 10%, 12% price hike and the customer also does not mind paying me that kind of price hike. So, the endeavour will be how we can keep growing our traffic. And wherever we can take price increases, we will definitely try to take those.

**Moderator:** Thank you. We have a next question from the line of Vivekanand Subbaraman from Ambit. Please go ahead.

**Vivekanand Subbaraman:** Yes. Thank you for the opportunity. So, my first question is with respect to the collections trajectory that you reported recently. Now you made a statement that you are gunning for 20% sustainable growth. So, Abhishek, my questions here are. One is, what gives you the confidence that you can sustain the 20% plus collections growth for the business? And the related question is, how did you manage to achieve the traffic growth to say INR170 million without spending money on advertising. And then if you could also provide the advertising number this quarter, that would be helpful. So that's my first set of questions.

**Abhishek Bansal:** Okay. So, Vivek, on the first question around 20% growth. So, it's a mix of multiple levers that we are trying to work out. One in premium listings, where we think that the cost per output or the cost per inquiry is relatively cheaper. We could easily take price hikes. So, in those particular listings, we are working on those price hikes. Then in Tier 2, Tier 3 cities, as I mentioned, there are several geographies where we have entered with just INR750 to INR1,000 per month kind of subscriptions.

My Tier 2 realization is just 45% of my Tier 1 realizations. And over time, we believe that Tier 2 should keep converging toward Tier 1 and Tier 1 in itself should see high basis, whatever traffic growth trends are.

This brings me to your second question that on the traffic growth side, there is a significant amount of rich content that has been added to all the categories on our platform. So today, when you search for any particular category or even direct business, you see highly rich content in terms of be it ratings and reviews, photos, videos. We are working on even stitched videos, which could be created from the content available in our listing, which we would want the business to directly use it for even sharing to their direct customers.

So as a result of these particular initiatives now organic traffic has been growing reasonably well, which is what has helped us come to this INR170 million number. And apart from that, for the top line, we are also working on a couple of initiatives such as the reseller model, wherein instead of having fixed costs, it would be obviously on a variable model basis. And we are working on online sign-ups as well. So, with SMEs also maturing, there could be a possibility that, say, a part of renewals could start coming in online. So, the idea is these particular revenue initiatives would not only aid my top line targets, but these would also be high margin revenue sources.

**Vivekanand Subbaraman:** Okay. That's very helpful, the detailed answer. The few follow-up questions that I have related to your answers are one is the advertising number during the current quarter. I think I missed that. Could you help us with that?

**Abhishek Bansal:** It was about INR5 crores. INR5 crores for last quarter.

**Vivekanand Subbaraman:** Okay, and was this online marketing spending? Or was it purely brand related?

**Abhishek Bansal:** Majority was online marketing spending.

**Vivekanand Subbaraman:** Okay. And historically, there used to be a thought process of wanting to spend a certain percentage of revenue, let's say, 5%, 6% revenue on advertising, if not more. Has that number now materially come down to 2%, 3% on a sustainable basis? Is that what we should infer based on the traffic trends and recent ad spends?

**Abhishek Bansal:** So, Vivek, the way we look at advertising is that our particular business requires a sustained calibrated level of advertising versus sort of one-shot or kind of blitz advertising. The user should recall our particular brand name. So that whenever they are doing searches online and they see our particular rating or they directly coming to the platform, they should be doing those particular searches. So, 5%, 6% is what we would actually want to spend on advertising on a sustainable basis. But in current year, it has been on a lesser side.

Third quarter, fourth quarter could be a bit higher. But since organic traffic itself has been aiding our particular growth. We thought it is prudent to optimize these spends at this point of time by sending mostly on digital and possibly planning-related initiatives could also be taken up in future quarters.

**Vivekanand Subbaraman:** Okay. Okay. My last set of questions are on the top 11 versus non-top 11. I know you commented quite a bit on how you are looking at monetizing the premium searches in the top 11 markets by taking price hikes. So just to understand better now in terms of your median pricing in top 11 markets versus pre-COVID versus now, where does it stand? Have you withdrawn all the discounts in the top 11 markets? And how would that trend be in the non-top 11 markets compared to pre-COVID, say, 2019 pricing?

**Abhishek Bansal:** So firstly, we have withdrawn all kinds of discounts that happened, in fact, somewhere in -- toward the end of fiscal '22 itself. So, for last, say, about 6, 7 quarters, we have been not giving out any of these particular discounts. In terms of where pricing stands versus pre-COVID sort of levels. On an overall revenue basis, we are, I think, about 6%, 7% higher versus where we used to be in around March '20 levels. And there, say, the non-top 11 there the delta is much higher. They are up about, say, 20% or so. But the top 11 as well are up about 5%, 5.5% or so.

**Vivekanand Subbaraman:** Okay. And your sense is that the key lever that enabled you to take these price hikes and withdrawn discounts is the traffic on the platform that has improved materially versus pre-COVID levels. Is that the only factor? Or is there any other factor here?

**Abhishek Bansal:** So, traffic is one of the most critical factors, and especially considering the organic traffic has been quite steadily growing. We are much, much higher versus where it used to be at pre-COVID levels. Apart from that, as I mentioned, in Tier 2 and beyond geographies, wherever the pricing was much lower, there the delta tends to be higher.

So even if I take INR1,000 a month to INR1,200 or INR1,250 a month, that translates into, say, a straight 20%, 25% hike. So that is what aids Tier 2 geographies. Even now, as I said, like against INR1,550 a month, Tier 1 average is only about INR2,250 a month, which, again, think of any particular SME in a city like Mumbai, Delhi, Bangalore, INR2,200, INR2,300 a month is very highly affordable.

**Vivekanand Subbaraman:** Okay. Very helpful. Last question from my side is, did the spending or inorganic traffic acquisition by, say, some of the focused vertical players have any bearing or the swing in that inorganic traffic acquisition by any of the vertical players have any bearing on the traffic coming back to Just Dial where some of these D2C companies, the vertical focus start-ups, they are now spending less and that benefiting you guys?

**Abhishek Bansal:** See, as I mentioned, our revenue is highly diversified. So for example, in this particular festive season, you see advertising right, left and centre in all product-centric categories, but that doesn't really impact us directly or other way would be that it is very difficult to assess that, okay, whether high or low spending by vertical players in certain category is affecting our traffic right away or not.

So, our particular results today, the 90% plus traffic that I'm generating today, is coming absolutely free of cost. And that free of cost traffic has no bearing from what others are doing. That is purely the strength of the platform that is making the global search engine rank us where we are.

**Moderator:** Thank you. We have our next question from Resham Jain from DSP Asset Managers. Please go ahead.

**Resham Jain:** Yes. So, I have just 1 question. In terms of unique visitors. If I look at over the last, let's say, 4 years, pre-COVID to now, there has been a growth of close to 2% CAGR. And I presume that in the last 4 years, the usage of Internet has or might have increased significantly. So, in that context, if you can explain what are those missing links where the overall growth is not at par with how the Internet users are increasing. If you can explain that part? And what are we doing for the same?

**Abhishek Bansal:** Okay, Resham, the way we look at this particular metric is let us take the case of, say, around 4 years ago, say, I have ready stats for third quarter of fiscal '20. So, in third quarter of fiscal '20, we had about 157 million unique users. But the split at that particular point of time was 108 million users came organically, which means I didn't pay anything for that traffic. And rest 48 million, 49 million originated YMI paid initiatives. At that point of time, our paid advertising used to be about INR15 crores, INR16 crores a quarter.

Today, or say, last quarter, that 108 million has gone to 160 million, 158 million, 160 million, free traffic, organic traffic. And the paid component of traffic is coming at just 1/3 the spend, INR5 crores versus INR15 crores, INR16 rescores. And within paid, we have optimized those spends toward high revenue-generating categories, where I might be spending higher to generate 1 particular incremental lead or inquiry but my revenue also is proportionately much higher.

So, the way we look at it is that versus pre-COVID, at 1/3 the spend, I am getting even higher versus my -- what my pre-COVID levels were. One can step up advertising whenever there is a need. But as I mentioned in the past that this business requires a sustained kind of advertising and in order to see that how our top line and profitability goals get achieved, we would calibrate our spends accordingly.

**Resham Jain:** But let's say, if -- let's say, if you would have spent similar INR15 crores and now it's anyone's guess, but because the overall Internet users must have increased, would then the INR17 crores unique visitors would have looked much higher. So, the question is, over the last whatever quarters since you have stopped advertising, what gives you that confidence that without advertising, this growth is okay or with advertising, maybe a much higher growth could be much better. I hope I'm clear in my question.

**Abhishek Bansal:** Right. So, see, the question is more advertising versus less advertising. It's not that over the last few quarters, we have stopped advertising. We never stopped. We -- what we are saying is we have only optimized advertising. Now the question is that, okay, next quarter, if I were to spend, say, INR12 crores, INR13 crores higher and my INR17 crores translates into, say, INR18 crores, INR18.5 crores then would it immediately reflect into better monetization. That, as I have mentioned that our calibrated approach is much better.

Our intent is to grow traffic and monetization both. Our particular business, actually, the basic is that you grow traffic and monetization follows it with a lag. So, at this point of time, organic traffic has held up pretty well. Going forward, organic will be endeavoured to grow at sustainable rates plus wherever need be, we would obviously add to advertising. As we are seeing margin expansion, it's not that a 25% plus business will not see margins or incremental operating cash flows. Whatever are the incremental operating cash flows, there can be a conscious call to deploy a good chunk of it in advertising to grow traffic and consequently grow revenue followed by profits.

**Resham Jain:** Okay. And 1 question just peeping into how the Board meeting happens at Just Dial, can you help us just to understand what kind of discussion happens? Or how much time do you spend on core business versus new initiatives because we are sitting with a huge pile of cash over the last few years. And this is in a way dilutive in the overall return ratios. So, from the discussion perspective, how does things operate is what I wanted to understand.

**Abhishek Bansal:** So, I think a relevant way to understand this would not just be that how much time solely the Boards spend but more how much time key strategic -- how much time is spend with a strategic holder -- stakeholder on these particular initiatives? So, the Board majority today obviously is RRVL representatives. And on an annual basis, we create our annual operating plan, which focuses both on core business as well as new initiatives. And then those particular initiatives are monitored not just on a quarterly basis, on a monthly as well as weekly basis.

**Resham Jain:** Okay. And any services being provided to RRVL from our tech platform.

**Abhishek Bansal:** Services, as in -- sorry?

**Resham Jain:** Any from our tech platform from tech input perspective? Are anything -- you did mention about JioMart kind of integration at some point of time, a couple of years back when it happened. So, I'm asking from that perspective.

**Abhishek Bansal:** So, in RRVL/Jio, My Jio is one of their key platforms or app, which has significant traffic. So, our particular local search capabilities are getting linked to My Jio app, which should go live anywhere in the next couple of weeks. So that will be a significant integration. Apart from that, there could be sort of synergies that could be in progress working in terms of say either some cross bundling wherein our particular subscriptions could get bundled with some of their offerings or vice versa and so on.

**Resham Jain:** Any monetization, which one should expect or build in their model from this newer initiatives like My Jio bundling of?

**Abhishek Bansal:** So, at this point of time, it's the core business, 20% top line target, which was sort of building these. We are not building in any sort of additional monetization at this point of time for non-core related initiatives.

**Moderator:** Thank you. We have a next question from Sarang Sanil from RW Investment Advisors. Please go ahead.

**Sanil Sarang:** Sir, I have a couple of questions. So internally, do you track campaigns per sales employee closely? And is there a target you'd like to achieve? The reason I'm asking is that though we are flattish on employee addition, cost per employee has gone up. also campaigns per sales employees around 48, 49 right now. And pre-COVID, we were well above 50, right? So, do we have a target here?

**Abhishek Bansal:** So Sarang, we do not explicitly focus on campaigns per sales employee, but rather we focus on revenue per sales employee because there could be geographies or there could be sales employees who might work differently in terms of one might focus on signing up more campaigns, be it relatively entry level or low-ticket size. The other would be focusing on signing up high value, lesser number of campaigns. So, from that particular perspective, what we focus on, what is the overall cost of sales and what EBITDA margins does that translate into. And at company level, broadly, the growth is targeted half to materialize from campaigns and rest from realizations.

**Sanil Sarang:** Sure, sir. My second question is, sir, why are we not gaining traction in Tier 1 cities. We had higher paid campaigns on an absolute basis and split on an overall basis pre-COVID. Now on an absolute basis, also, we've been growing at single digit for the last 3 quarters, though on an overall basis, total paid capital we are well above double digits. So, what has happened in Tier 1 cities? And is there anything that you're focusing right now so that we can incrementally increase the realization also from Tier 1 cities?

**Abhishek Bansal:** See, if I look at the split of revenue growth for this particular quarter alone, so this particular quarter, revenue had a 27% growth, okay? So, this 27% is split, I say, about 20% growth coming in top 11 or so to say, Tier 1 cities and rest about 38%, 39% coming from Tier 2. Now the next level would be breaking that 20% into volumes versus realization, etcetera, etcetera. But as I mentioned that from my perspective, the endeavour is that, okay, how can both set of geographies grow in terms of overall revenues. Tier 2 geographies have both levers quite open, both sign-ups as well as realizations, right?

**Sanil Sarang:** So, you're not worried about the paid campaign volume and Tier 1 at least for now?

**Abhishek Bansal:** Yes, having said that the target is 10% to 12% growth to 20% top line growth should come from, say, volumes, which would be a mix of contribution from Tier 2 as well as Tier 1.

**Moderator:** We've lost the connection. Ladies and gentlemen, due to time constraints, we take the last question for today from Hemal HS, an Investor. Please go ahead.

**Hemal HS:** I think a lot of my questions were answered. I just have a different take I wanted to ask you, since you get so much traffic data, have you ever thought or have you ever focused on the data mining and analytics capability to their cross-sell differentiated services to your merchants, it could be as simple as underwriting scoring to potential, some hair salon opening in certain areas, neighbourhoods. Have you ever explored that? Is that the kind of data -- quality of data that you get?

**Abhishek Bansal:** So Hemal, definitely, we are sitting on a sort of gold mine of data be pertaining to users or pertaining to vendors. So, we have been recently exploring the that how could we utilize this data, for example, a lot of competitor analytics could be generated, which could be even interesting for SMEs.

So, one particular hotel might be keen to know what are the kind of traffic trends for their specific category? What are the kind of traffic trends for competitors. But at the same time, we have to keep in mind data protection regulations as well as how we want to exactly go by it. So, some of these are underway. We will see how we can sort of put some of these thoughts into monetization.

**Hemal HS:** Excellent. And is this something that you expect with next year onwards as a test in the market? Or is it a little bit longer-term idea for you now?

**Abhishek Bansal:** I wouldn't call it a longer term. So far, we have always focused on making money from SMEs, which is the subscription revenue or so-called advertising revenue. This particular possibility of a revenue stream exists, we obviously have been always aware. We will see at what point of time we would want to sort of exploit this. So, in the numbers that I have stated in my entire call, we have not built in any delta from this initiative per se.

**Hemal HS:** Okay. And my other question was -- see, we are at 170 million traffic. But let's say, if you had unlimited -- which we don't, but I just want to know what is the potential for traffic for you right now? Like what is the number that you guys track internally that what's the max potential today in India for traffic that you would say is 100%, I'm getting it all.

**Abhishek Bansal:** So max potential would be anyone holding a smartphone with internet connection and using it for anything pertaining to sort of commerce is what will be our target. At this point of time, we would focus to take this 170 million to 250 million users. And I think as -- by the time we reach that particular milestone, definitely, the market out there would have been north of 350 million, 400 million users as well.

**Hemal HS:** Okay, fantastic. And absolute finally, so has -- does your growth in the past because you've been doing this for a long time. Does it depend on how much has got impacted due to economic slowdown or economic growth. Is there a parallel to your revenue versus the economy like versus the GDP growth or anything like that, that you might have tracked.

**Abhishek Bansal:** So definitely, there is. Ultimately, if SME has money in their particular pocket and they are feeling confident about their business, future prospects, they would be willing to ultimately do advertising. During COVID 2 years, our business got impacted by 30%, 32% because B2C and within B2C also B2C services-oriented SMEs got severely impacted. Even today, on the ground, SMEs are actually facing macro challenges.

Having said that, our product offerings, etcetera, have been able to get us the kind of growth that we have been able to generate. And importantly, we are the only platform that directly advertises SMEs. So today, SMEs view several other alternatives as a platform where their -- particular name of their business does not get advertised.

Those are just transactional platforms for them to sell products. They might be selling today but tomorrow the volumes could quickly collapse as well. So, from that perspective, yes, the overall health of the economy does impact our business, but it's difficult to directly correlate and say that with the annual GDP, this could be the possible growth rate for the company.

**Moderator:** Thank you. I would now like to hand the conference over to Mr. Abhishek Bansal for closing comments. Over to you.

**Abhishek Bansal:** Thank you everyone for joining us. In case you have any further queries, please do reach out. We would do our best to address. That's it from our side, and we'll see you next quarter. Thank you.

**Moderator:** Thank you, sir. On behalf of Just Dial Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.