

CMP: ₹ 820

Target: ₹ 960 (17%)

Target Period: 12 months

October 25, 2021

BUY

Investing for next leg of growth

About the stock: Just Dial (JDL) generates revenues from advertisers on various subscription and fee-based packages.

- Reliance Retail Ventures now holds a 67% stake in JDL
- JDL's launch of B2B platform will be a key revenue driver in the long run

Q2FY22 Results: JDL reported weak numbers in Q2FY22.

- Revenues declined 5.7% QoQ due to poor collections
- Adjusted EBITDA margins came in at 13.3%, declining ~700 bps QoQ
- Just Dial made a profit of ₹ 38 crore, supported by higher other income

What should investors do? JDL's share price has grown by ~1.8x over the past five years (from ~₹ 450 in October 2016 to ~₹ 820 levels in October 2021).

- We continue to remain positive and retain our BUY rating on the stock

Target Price and Valuation: We value JDL at ₹ 960 i.e. 24x P/E on FY23E EPS

Key triggers for future price performance:

- Covid and changing consumer behaviour have led to an increase in virtualisation of business. Enterprises now have an omni channel presence (in physical & digital world)
- JDL will be a key beneficiary of this shift of advertising to digital medium and underpenetrated MSME (B2B) segment. The paid subscribers as a percentage of total MSME is just 1.3%
- JDL's B2B and B2C platforms are well placed to capture this demand leading to PAT & revenue CAGR of 24% & 12%, respectively, over FY21-23E
- Change in promoters could help drive growth higher

Alternate Stock Idea: Apart from JDL, in our IT coverage we also like Affle.

- Key beneficiary of digital advertising spend
- BUY with a target price of ₹ 1,126

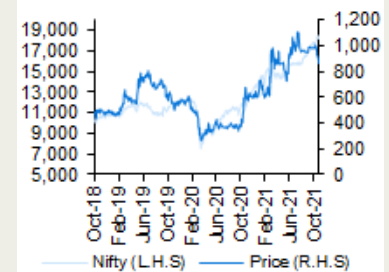
Particulars

Particular	Amount
Market Cap (₹ Crore)	6,809.1
Total Debt (₹ Crore)	-
Cash and Invests (₹ Crore)	1,572.8
EV (₹ Crore)	5,236.3
52 week H/L	1138/531
Equity capital	83.1
Face value	10.0

Shareholding pattern

	Dec-20	Mar-21	Jun-21	Sep-21
Promoters	36	36	35	51
FII	33	32	29	16
DII	20	15	14	10
Others	12	17	22	23

Price Chart



Recent Event & Key risks

- Reliance Retail acquired controlling stake
- **Key Risk:** (i) Inability scale up B2B business, (ii) Inability to improve margins

Research Analyst

Sameer Pardikar
sameer.pardikar@icicisecurities.com

Key Financial Summary

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Net Sales	892	953	675	0.2%	709	855	12.5%
EBITDA	229	273	155	1.4%	99	197	12.7%
EBITDA Margins (%)	25.7	28.6	22.9		14.0	23.0	
Net Profit	207	272	214	8.4%	199	331	24.4%
EPS (₹)	31.9	42.0	33.0		24.0	39.9	
P/E	25.7	19.5	24.8		34.2	20.6	
RoNW (%)	20.7	21.1	16.9		5.6	9.0	
RoCE (%)	27.4	25.7	19.0		6.9	11.3	

Source: Company, ICICI Direct Research

Key highlight

Reliance Retail Ventures Ltd (RRVL) now holds 67% stake in the company as announced earlier. Modes of acquisition by RRVL are:

Mode	No of Shares (in Crore)	Price per share (in ₹)	Amount (in ₹ crore)	% stake
Preferential allotment	2.1	1,022	2,165	25
Acquisition from promoters	1.3	1,020	1,332	16
Open offer	2.2	1,022	2,222	26
Total	5.6	1,022	5,719	67

Source: Company, ICICI Direct Research

Key takeaways of recent conference call

Q2FY22 Earnings Conference Call highlights

- The board has changed effective from September 2021 and now has 11 directors, six of whom have been appointed recently
- The company indicated that since they are operating in a disruptive sector, their focus will not be on shareholder return for a short to medium term but to invest in JD for the next leg of growth**
- JDL also indicated that they are also exploring new areas on JD Mart e.g. transactions, logistics etc. In the transaction business, it is exploring revenues streams in the form of i) subscription based ii) commission based revenue iii) revenue on add-on services
- The company mentioned that the primary focus now for it is to arrest the decline in paid campaigns (which were impacted due to poor collections i.e. still at ~25% of the pre-pandemic level). The company has launched special packages in the market to arrest the decline
- JDL also indicated that paid campaigns drop was more visible in Tier I cities vs. other cities on account of higher ticket sizes due to which Covid impact was more severe there. It is also reflected in a drop in upfront monthly payment customers that were at 9% for the quarter vs. normal 30% number
- The company also mentioned that it is looking to increase the spend on technology, manpower, etc. JD has increased the pace of hiring in the last three to six months as they are looking to appoint a dedicated head as well as sales and marketing team for each business verticals for the next leg of growth
- JDL invested ₹ 2 crore in advertising for Q2Y22 i.e. in IPL
- The cash and cash equivalent was at ₹ 3,773 crore as on September 30, 2021

Exhibit 1: Change in estimates

(₹ Crore)	FY22E			FY23E			Comments
	New	Old	% Change	New	Old	% Change	
Revenue	709	773	-8.3	855	997	-14.2	Numbers changed as per weak H1, tweak numbers downward on continued decline in paid campaigns and realisations
EBITDA	99	124	-20.0	197	279	-29.5	EBITDA/margins cut on company's indication of their elevated spend in tech, manpower for next leg of growth.
EBITDA Margin (%)	14	16	-204 bps	23	28	-498 bps	
PAT	199	219	-9.1	331	396	-16.4	
EPS (₹)	24.0	26.4	-9.1	39.9	47.6	-16.2	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit & loss statement (₹ crore)				
	FY20	FY21	FY22E	FY23E
Total Revenues	953	675	709	855
Growth (%)	6.9	(29.2)	5.0	20.6
COGS	533	443	496	530
Other Expenses	147	77	113	128
EBITDA	273	155	99	197
Growth (%)	19.2	(43.3)	(35.9)	98.2
Depreciation	52	42	42	42
Other Income	140	150	194	278
Interest paid	9	7	8	8
PBT	352	255	243	425
Growth (%)	22.0	(27.6)	(4.6)	74.7
Total Tax	79	40	44	93
PAT	272	214	199	331
Adjusted PAT	272	214	199	331
PAT	31.6	(21.4)	(7.0)	66.2
EPS - diluted	42.0	33.0	24.0	39.9
EPS (Growth %)	31.6	(21.4)	(27.4)	66.2

Source: Company, ICICI Direct Research,

Exhibit 3: Cash flow statement (₹ crore)				
	FY20	FY21	FY22E	FY23E
Net profit before Tax	352	255	243	425
Depreciation	52	42	42	42
(inc)/dec in Current Assets	15	(2)	(4)	(16)
(inc)/dec in current Liabilities	(85)	(1)	25	110
CF from operations	153	139	77	197
Other Investments	(125)	178	194	278
(Purchase)/Sale of Fixed Assets	(2)	(4)	(4)	(5)
CF from investing Activities	(127)	174	190	273
Inc / (Dec) in Equity Capital	4	1	2,165	-
Othes	(30)	(19)	(19)	(19)
Dividend & Buyback	-	(273)	(100)	(166)
Interest Paid on Loans	(0)	-	(8)	(8)
CF from Financial Activities	(27)	(291)	2,039	(192)
Cash generating during the year	(1)	22	2,305	278
Opening cash balance	41	40	61	2,367
Closing cash	40	61	2,367	2,645

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet (₹ crore)				
	FY20	FY21	FY22E	FY23E
Equity	65	62	83	83
Reserves & Surplus	1,223	1,202	3,446	3,611
Networth	1,288	1,264	3,529	3,694
Minority Interest	-	-	-	-
Total Debt	-	-	-	-
Other long term liabilities	117	116	122	147
Source of funds	1,404	1,380	3,651	3,841
Net Block	63	46	31	17
CWIP	-	-	-	-
Other intangible assets&Goo	1	1	0	(0)
Other long term assets	1,662	1,625	1,621	1,622
Current investments	17	-	-	-
Other financial assets	10	11	11	14
Cash & Cash equivalents	40	62	2,367	2,645
Loans and advances	3	2	2	2
Other Current Assets(OCA)	37	41	43	52
Trade payables	25	15	15	19
Other Current liabilities	394	378	396	478
Provisions	9	14	14	14
Application of funds	1,404	1,380	3,651	3,841

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
Adjusted EPS (Diluted)	42.0	33.0	24.0	39.9
BV per share	198.7	195.1	425.0	444.9
DPS	-	-	12.0	19.9
Cash per Share	6.1	9.5	285.1	318.5
Operating Ratios				
EBITDA Margin (%)	28.6	22.9	14.0	23.0
EBIT Margin (%)	23.2	16.7	8.0	18.1
PAT Margin (%)	28.6	31.7	28.1	38.7
Creditor days	9	8	8	8
Return Ratios (%)				
RoE	21.1	16.9	5.6	9.0
RoCE	25.7	19.0	6.9	11.3
Valuation Ratios (x)				
P/E	19.5	24.8	34.2	20.6
EV / EBITDA	19.1	33.8	29.5	13.5
Price to Book Value	4.1	4.2	1.9	1.8
EV / Net Sales	5.5	7.8	4.1	3.1
Market Cap / Sales	7.1	10.1	9.6	8.0
Solvency Ratios				
Debt/EBITDA	-	-	-	-
Debt / Equity	-	-	-	-
Current Ratio	0.1	0.1	0.1	0.1
Quick Ratio	0.1	0.1	0.1	0.1

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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