

CMP: ₹ 930 Target: ₹ 1095 (18%) Target Period: 12 months

BUY

January 20, 2022

Weak Q3, new initiatives to drive 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

Q3FY22 Results: JDL reported weak numbers in Q3FY22.

- Revenues grew by mere 1.9% QoQ to ₹ 158.9 crore
- Adjusted EBITDA margins came in at 6.3%, declining ~700 bps QoQ
- Just Dial made a profit of ₹ 19 crore, supported by higher other income

What should investors do? JDL's share price has grown by ~1.6x over the past five years (from ~₹ 567 in January 2017 to ~₹ 930 levels in January 2022).

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

Target Price and Valuation: We value JDL at ₹ 1,095 i.e. 24x P/E on FY24E 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 1.5%
- JDL's B2B and B2C platforms are well placed to capture this demand leading to PAT & revenue CAGR of 21.2% & 18.1%, respectively, over FY21-24E
- 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

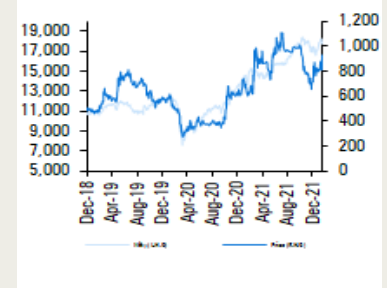
Particulars

Particular	Amount
Market Cap (₹ Crore)	7,769.7
Total Debt (₹ Crore)	-
Cash and Invests (₹ Crore)	1,572.8
EV (₹ Crore)	6,196.9
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

- B2B business has 80,000 subs
- Key Risk:** (i) Inability to scale up B2B business, (ii) Inability to improve margins

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Key Financial Summary

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Net Sales	892	953	675	0.2%	810	966	1,113	18.1%
EBITDA	229	273	155	1.4%	113	222	267	19.9%
EBITDA Margins (%)	25.7	28.6	22.9		14.0	23.0	24.0	
Net Profit	207	272	214	8.4%	211	351	381	21.2%
EPS (₹)	31.9	42.0	33.0		25.2	42.0	45.6	
P/E	29.1	22.1	28.1		36.8	22.1	20.4	
RoNW (%)	20.7	21.1	16.9		6.0	9.5	9.8	
RoCE (%)	27.4	25.7	19.0		7.2	11.8	12.3	

Source: Company, ICICI Direct Research

Key takeaways of result and conference call highlights

- The company reported revenue of ₹158.9 crore for the quarter, which grew 1.9% QoQ while down by 6.3% YoY. Paid campaigns were at 437,000, which grew 1.5% QoQ, while realisation grew 0.3% QoQ
- Reported EBITDA was ₹ 5.2 crore while margins were at 3.3%. Adjusted EBITDA (ex-Esop charges) was at ₹ 10 crore while adjusted EBITDA margins were 6.3% for the quarter
- The company indicated that they have withdrawn all discounts (flexibility in terms of activation of campaigns as per customer’s convenient timelines). JDL also launched monthly payment plans to offer flexibility to clients (not looking to tie them up for longer period) and indicated that 65% of the paid campaigns in Q3 were on this plan vs. 8% in Q2
- The company also indicated that a structural change has been taking place in the ecosystem in terms of payment flexibility. Even bigger companies like FB and Google offer this where you can pay and activate the campaign for few days and then pause it for a few days
- JDL also indicated that the new RBI ruling, which made auto renewals of subscriptions tougher does not impact its business much. As per the company, earlier ₹ 23-24 crore payment used to come through auto-renewals, which came down to ₹ 13 crore in Q2. Then it is gradually rising (₹ 18 crore in Q3) and so on
- The company indicated that recovery in tier 2/3 locations after couple of Covid waves seem to be faster than tier I cities as these cities were are coping with harsher Covid restrictions leading to impact on operations. The management indicated that the impact of Omicron is yet to be known but they estimate lower impact compared to earlier waves
- The company indicated that it continues to aggressively invest in manpower pertaining to technology, sales and marketing, etc to scale up the business. JDL hired 1,248 net employees during the quarter. The company also indicated that it looking to take the employee base closer to 10,000 in three to four quarters from now and also looking for synergy benefits with its promoter group
- Other income for the quarter was down 20% QoQ. JDL indicated that it was due to MTM of 10-year bond yields, which increased 30 bps

Exhibit 1: Change in estimates

	FY22E			FY23E			FY24	Comments
	Old	New	% Change	Old	New	% Change	Introduced	
(₹ Crore)								
Revenue	709	810	14.3	855	966	12.9	1,113	We realign our numbers on 9MFY22 performance
EBITDA	99	113	14.6	197	222	12.7	267	
EBITDA Margin (%)	14.0	14.0	4 bps	23.0	23.0	-4 bps	24.0	We trim EBITDA numbers due to elevated employee costs in FY23 which should be normalised in FY24E
PAT	199	211	6.0	331	351	6.0	381	
EPS (₹)	24	25	6.0	40	42	6.0	46	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit & loss statement (₹ crore)				
	FY21	FY22E	FY23E	FY24E
Total Revenues	675	810	966	1,113
Growth (%)	(29.2)	20.0	19.2	15.3
COGS	443	567	599	679
Other Expenses	77	130	145	167
EBITDA	155	113	222	267
Growth (%)	(43.3)	(26.7)	95.8	20.3
Depreciation	42	42	42	42
Other Income	150	194	278	278
Interest paid	7	8	8	8
PBT	255	257	450	495
Growth (%)	(27.6)	1.0	75.0	10.0
Total Tax	40	46	99	114
PAT	214	211	351	381
Adjusted PAT	214	211	351	381
PAT	(21.4)	(1.5)	66.4	8.6
EPS - diluted	33.0	25.2	42.0	45.6
EPS (Growth %)	(21.4)	(23.6)	66.4	8.6

Source: Company, ICICI Direct Research,

Exhibit 3: Cash flow statement (₹ crore)				
	FY21	FY22E	FY23E	FY24E
Net profit before Tax	255	257	450	495
Depreciation	42	42	42	42
(inc)/dec in Current Assets	(2)	(15)	(17)	(16)
(inc)/dec in current Liabilities	(1)	102	117	111
CF from operations	139	154	223	248
Other Investments	178	194	278	278
(Purchase)/Sale of Fixed Assets	(4)	(5)	(6)	(7)
CF from investing Activities	174	189	272	271
Inc / (Dec) in Equity Capital	1	2,165	-	-
Othes	(19)	(19)	(19)	(19)
Dividend & Buyback	(273)	(105)	(175)	(191)
Interest Paid on Loans	-	(8)	(8)	(8)
CF from Financial Activities	(291)	2,033	(202)	(217)
Cash generating during the year	22	2,376	293	302
Opening cash balance	40	61	2,437	2,730
Closing cash	61	2,437	2,730	3,032

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet (₹ crore)				
	FY21	FY22E	FY23E	FY24E
Equity	62	83	83	83
Reserves & Surplus	1,202	3,452	3,627	3,818
Networth	1,264	3,535	3,710	3,901
Minority Interest	-	-	-	1
Total Debt	-	-	-	-
Other long term liabilities	116	139	166	191
Source of funds	1,380	3,674	3,876	4,092
Net Block	46	32	19	6
CWIP	-	-	-	-
Other intangible assets&Goo	1	0	(0)	(0)
Other long term assets	1,625	1,625	1,625	1,626
Current investments	-	-	-	-
Other financial assets	11	13	15	18
Cash & Cash equivalents	62	2,437	2,730	3,032
Loans and advances	2	2	2	3
Other Current Assets(OCA)	41	50	59	68
Trade payables	15	18	21	24
Other Current liabilities	378	453	540	622
Provisions	14	14	14	14
Application of funds	1,380	3,674	3,876	4,092

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
Adjusted EPS (Diluted)	33.0	25.2	42.0	45.6
BV per share	195.1	423.1	444.1	466.9
DPS	-	12.6	21.0	22.8
Cash per Share	9.5	291.7	326.8	363.0
Operating Ratios				
EBITDA Margin (%)	22.9	14.0	23.0	24.0
EBIT Margin (%)	16.7	8.8	18.6	20.2
PAT Margin (%)	31.7	26.0	36.3	34.2
Creditor days	8	8	8	8
Return Ratios (%)				
RoE	16.9	6.0	9.5	9.8
RoCE	19.0	7.2	11.8	12.3
Valuation Ratios (x)				
P/E	28.1	36.8	22.1	20.4
EV / EBITDA	40.0	33.7	15.9	12.1
Price to Book Value	4.8	2.2	2.1	2.0
EV / Net Sales	9.2	4.7	3.7	2.9
Market Cap / Sales	11.5	9.6	8.0	7.0
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%



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