

JUST DIAL

Cashing in on rising user connect

India Equity Research | IT

Our recent interaction with Just Dial's (JD) management reinforces our confidence in the company's bright prospects. Key takeaways are: 1) management is confident of improvement in revenue growth led by rising collections; 2) the company is mulling appointment of JD resellers to enhance penetration without adding feet-on-street; 3) operating leverage is envisaged to boost EBITDA margin, but FY19 advertising spends are likely to be higher than FY18; and 4) although focus is on monetising core search operations, management is investing in JD Omni & Search Plus with an eye on long-term growth. While we maintain our target multiple, we believe strong user engagement matrix will accelerate revenue growth and could warrant a rerating going ahead. We revise up FY19E and FY20E revenue/PAT 3.6%/6.1% and 5.5%/10.1%, respectively, to factor in stronger revenue growth. Maintain 'BUY' with revised target price of INR650 (INR590 earlier).

Rising user engagement to spur revenue

In Q4FY18, unique visitors jumped 28.6% YoY led by 51.4% traffic surge on the mobile platform. This higher user engagement translated into better realisation— up 7.9% YoY in Q4FY18. We believe, higher traffic will also drive campaign growth, accelerating revenue spurt to 14.0% in FY19 from 8.8% in FY18. Accordingly, we revise up FY19E and FY20E revenue/PAT 3.6%/6.1% and 5.5%/10.1%, respectively.

Revenue acceleration to boost margin expansion

Focus on cost rationalisation and better execution led to 580bps margin expansion in FY18. We expect improving revenue growth and execution to lead to 360bps EBITDA margin expansion over FY18-20 driving 23.9% PAT CAGR.

Outlook and valuations: Fundamentals strong; maintain 'BUY'

JD continues to generate strong cash flow with 8% FCF yield. Considering ~INR175 cash per share, 23.9% PAT CAGR and high return ratios over FY18-20, we believe the stock is available at attractive valuations—17.4x FY20E EPS. Any slip in execution and further increase in market share of vertical specific players would be potential risks. We maintain 'BUY' with revised TP of INR650 (20x FY20E EPS).

Financials

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Net revenue	7,186	7,818	8,912	10,172
Rev. growth (%)	7.6	8.8	14.0	14.1
EBITDA	1,096	1,644	2,068	2,509
Adjusted Profit	1,213	1,432	1,822	2,198
Basic shares outstanding (mn)	69	68	68	68
Adjusted diluted EPS (INR)	17.4	20.9	27.0	32.5
Diluted P/E (x)	32.6	27.1	21.0	17.4
EV/EBITDA (x)	26.6	16.2	11.7	8.7
ROAE (%)	15.4	15.2	17.0	17.3

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Underperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: JUST.BO, B: JUST IN)

CMP	: INR 566
Target Price	: INR 650
52-week range (INR)	: 648 / 326
Share in issue (mn)	: 67.4
M cap (INR bn/USD mn)	: 38 / 565
Avg. Daily Vol.BSE/NSE('000)	: 4,042.8

SHARE HOLDING PATTERN (%)

	Current	Q3FY18	Q2FY18
Promoters *	34.2	34.2	34.3
MF's, FI's & BK's	9.7	9.7	7.9
FII's	35.2	35.2	31.1
Others	20.9	20.9	26.8
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Technology Index
1 month	34.2	0.5	4.8
3 months	28.8	4.1	11.7
12 months	39.9	13.0	37.8

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Company Description

JustDial is an classifieds search company. Incorporated as A&M Communications in 1993 and later renamed as JustDial (2006), it initially offered a fixed line voice-based service dispensing information on whatever a user needed to locate. It provides local services for India through multiple platforms such as internet, mobile internet, over the telephone (voice) and text (SMS). Its internet and mobile internet services were launched in 2007. As of Q3FY18, the company is running ~0.45mn campaigns for paid advertisers and has 21.8mn listings. For TTM, the company reported revenue INR7.8bn.

Investment Theme

Classified advertising has undergone a paradigm shift towards online from print media with a large chunk of businesses shifting to the former. Moreover, the much anticipated jump in internet usage over the next few years is bound to further fuel this segment, presenting a humungous growth opportunity to relevant players. However competitive intensity has moved from vertical services providers to horizontal services provider. The competitive intensity has impacted revenue growth and forced horizontal vendors to refine their business model.

Key Risks

- Increasing competition in internet space
- Success of transaction model can impact estimates
- Waning voice search growth
- Concentration in large cities

Financial Statements

Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.8	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.0
USD/INR (Avg)	67.1	64.5	66.0	66.0
Company				
Campaigns	435,360	445,110	502,402	533,154
YoY growth	18.0	2.2	12.9	6.1
Revenue per campaign	16,506	17,564	17,738	19,079
YoY growth	(8.8)	6.4	1.0	7.6
Other Cost (% of rev.)				
Cost of rev. (% of rev.)	61.4	56.5	57.8	56.8
Financial assumptions				
Depreciation (% of rev.)	5.6	4.7	4.0	3.7
Tax rate as % of PBT	22.5	26.1	28.0	27.1
Payable days	265	295	264	258
Cash conversion cycle	(265)	(295)	(264)	(258)
Capex (INR mn)	574	293	500	500

Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Net revenue	7,186	7,818	8,912	10,172
Cost of revenues	4,409	4,416	5,150	5,781
Gross profit	2,777	3,402	3,762	4,391
Total SG&A expenses	1,681	1,758	1,693	1,882
EBITDA	1,096	1,644	2,068	2,509
Depreciation	401	364	354	374
EBIT	695	1,280	1,714	2,135
Add: Other income	870.1	658.6	817.00	881.00
Profit Before Tax	1,565	1,939	2,531	3,016
Less: Provision for Tax	351	507	709	818
Reported Profit	1,213	1,432	1,822	2,198
Adjusted Profit	1,213	1,432	1,822	2,198
Shares o /s (mn)	69	68	68	68
Adjusted Basic EPS	17.5	21.0	27.0	32.5
Diluted shares o/s (mn)	70	68	68	68
Adjusted Diluted EPS	17.4	20.9	27.0	32.5
Adjusted Cash EPS	23.2	26.3	32.2	38.0

Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
Cost of revenues	61.4	56.5	57.8	56.8
Gross margin	38.6	43.5	42.2	43.2
SG&A expenses	23.4	22.5	19.0	18.5
EBITDA margins	15.3	21.0	23.2	24.7
EBIT margins	9.7	16.4	19.2	21.0
Net Profit margins	16.9	18.3	20.4	21.6

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	7.6	8.8	14.0	14.1
EBITDA	(24.0)	50.0	25.8	21.3
PBT	(19.0)	23.9	30.6	19.2
Adjusted Profit	(15.0)	18.0	27.3	20.6
EPS	(13.6)	20.6	28.9	20.5

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	695	674	674	674	
Reserves & Surplus	8,358	9,120	10,942	13,140	
Shareholders' funds	9,053	9,793	11,616	13,813	
Def. Tax Liability (net)	(239)	(124)	(124)	(124)	
Sources of funds	8,814	9,669	11,492	13,689	
Gross Block	3,022	3,314	3,814	4,314	
Net Block	1,561	1,489	1,635	1,760	
Total Fixed Assets	1,647	1,489	1,635	1,760	
Cash and Equivalents	10,169	12,003	14,060	16,549	
Loans & Advances	-	25	29	35	
Other Current Assets	599	461	507	557	
Current Assets (ex cash)	599	485	536	593	
Trade payable	3,586	3,542	3,896	4,286	
Other Current Liab	15	766	843	927	
Total Current Liab	3,601	4,308	4,739	5,213	
Net Curr Assets-ex cash	(3,002)	(3,823)	(4,203)	(4,620)	
Uses of funds	8,814	9,669	11,492	13,689	
BVPS (INR)	130.3	143.5	171.9	204.2	

Free cash flow		(INR mn)			
Year to March	FY17	FY18	FY19E	FY20E	
Reported Profit	1,213	1,432	1,822	2,198	
Add: Depreciation	401	364	354	374	
Others	-	-	-	-	
Less: Changes in WC	(955)	(821)	(380)	(417)	
Operating cash flow	2,570	2,617	2,557	2,989	
Less: Capex	574	293	500	500	
Free Cash Flow	1,996	2,325	2,057	2,489	

Cash flow metrics		FY17	FY18	FY19E	FY20E
Year to March					
Operating cash flow		2,570	2,617	2,557	2,989
Investing cash flow		(3,186)	(2,076)	500	500
Net cash Flow		(616)	541	3,057	3,489
Capex		(574)	(293)	(500)	(500)

Profitability and efficiency ratios		FY17	FY18	FY19E	FY20E
Year to March					
ROACE (%)		19.8	20.6	23.6	23.7
ROAE (%)		15.4	15.2	17.0	17.3
Debtors Days		-	-	-	-
Payable Days		265	295	264	258
Cash Conversion Cycle		(265)	(295)	(264)	(258)
Current Ratio		3.0	2.9	3.1	3.3

Operating ratios		FY17	FY18	FY19E	FY20E
Year to March					
Total Asset Turnover		0.9	0.8	0.8	0.8
Fixed Asset Turnover		4.9	5.1	5.7	6.0
Equity Turnover		0.9	0.8	0.8	0.8

Valuation parameters		FY17	FY18	FY19E	FY20E
Year to March					
Adj. Diluted EPS (INR)		17.4	20.9	27.0	32.5
Y-o-Y growth (%)		(13.6)	20.6	28.9	20.5
Adjusted Cash EPS (INR)		23.2	26.3	32.2	38.0
Diluted P/E (x)		32.6	27.1	21.0	17.4
P/B (x)		4.3	3.9	3.3	2.8
EV / Sales (x)		4.1	3.4	2.7	2.1
EV / EBITDA (x)		26.6	16.2	11.7	8.7

Additional Data

Directors Data

B. Anand	Chairman and Independent Non-Executive Director	V.S.S. Mani	Managing Director
Ramani Iyer	Non-Independent, Non-Executive Director	V. Krishnan	Non-Independent, Executive Director
Pulak Prasad	Non-Independent, Non-Executive Director	Sanjay Bahadur	Independent, Non-Executive Director
Malcolm Monteiro	Independent, Non-Executive Director	Anita Mani	Non-Independent, Non-Executive Director

Auditors - S. R. Batliboi & Associates LLP

**as per last annual report*

Holding - Top10

	Perc. Holding		Perc. Holding
Nalanda India Equity	10.09	HDFC Asset Mgmt	8.70
SaiF II Mauritius	8.57	Matthews Intl Capital Mgmt	5.56
SCI Growth Investments	4.18	Sequoia Cap India	3.82
Tree Line Asia Master Fund	3.52	Amansa Capital	2.47
Vanguard Group	2.29	Parvest Equity	2.06

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
01 Jun 2018	ISHANA CAPITAL MASTER FUND	BUY	425600	583.12
03 May 2018	Qe Securities	Sell	11319	378.00
02 May 2018	Qe Securities	Sell	25663	416.95
30 Jan 2018	Indus India Fund (Mauritius) Ltd	Sell	411733	525.77
22 Jan 2018	QE Securities	Sell	11876	581.35
19 Jan 2018	Qe Securities	Sell	21570	553.35
04 Dec 2017	HDFC Mutual Fund A/C Hdfc Prudence Fund	Buy	900000	500.00
04 Dec 2017	SVI Growth Investments li	Sell	574710	501.54
04 Dec 2017	Sequoia Capital India Growth Investment Holdings	Sell	454937	500.05
10 Nov 2017	Samsung Asia Leaders Securities Master Investment Trust Equ	Buy	355000	513.21
10 Nov 2017	Hdfc Mutual Fund	Buy	680000	521.43
05 Sep 2017	Sequoia Capital India Investments lii	Sell	711036	375.28
05 Sep 2017	Hdfc Mutual Fund	Buy	3206663	375.00
05 Sep 2017	Sci Growth Investments li	Sell	1393336	375.27
05 Sep 2017	Sequoia Capital India Growth Investment Holdings I	Sell	1494445	375.55
31 Aug 2017	Just Dial Ltd	Buy	950000	390.44

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
22 Feb 2018	V. Krishnan	Sell	92700.00
07 Feb 2018	V. Krishnan	Sell	59000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Cyient	BUY	SP	H	ECLERX SERVICES	HOLD	SP	M
HCL Technologies	BUY	SP	H	Hexaware Technologies	HOLD	SP	M
Info Edge	BUY	SP	M	Infosys	BUY	SO	L
Just Dial	BUY	SU	M	L&T Infotech Ltd	BUY	SO	M
L&T Technology Services Ltd	BUY	SO	M	Persistent Systems	BUY	SP	L
Redington India Ltd	BUY	SO	L	Tata Consultancy Services	HOLD	SP	L
Tech Mahindra	BUY	SP	M	Wipro	HOLD	SP	L

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



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Coverage group(s) of stocks by primary analyst(s): IT

Cyient, ECLERX SERVICES, HCL Technologies, Hexaware Technologies, Infosys, Info Edge, Just Dial, L&T Infotech Ltd, L&T Technology Services Ltd, Persistent Systems, Redington India Ltd, Tata Consultancy Services, Tech Mahindra, Wipro

Recent Research

Date	Company	Title	Price (INR)	Recos
06-Jun-18	Redington India	Growth on the rise; <i>Visit Note</i>	114	Buy
30-May-18	Info Edge	Worst behind in 99acres; higher IT hirings to revive Naukri ; <i>Result Update</i>	1,297	Buy
25-May-18	Tech Mahindra	Most bullish in a decade: It's beginning to show; <i>Result Update</i>	703	Buy

Distribution of Ratings / Market Cap

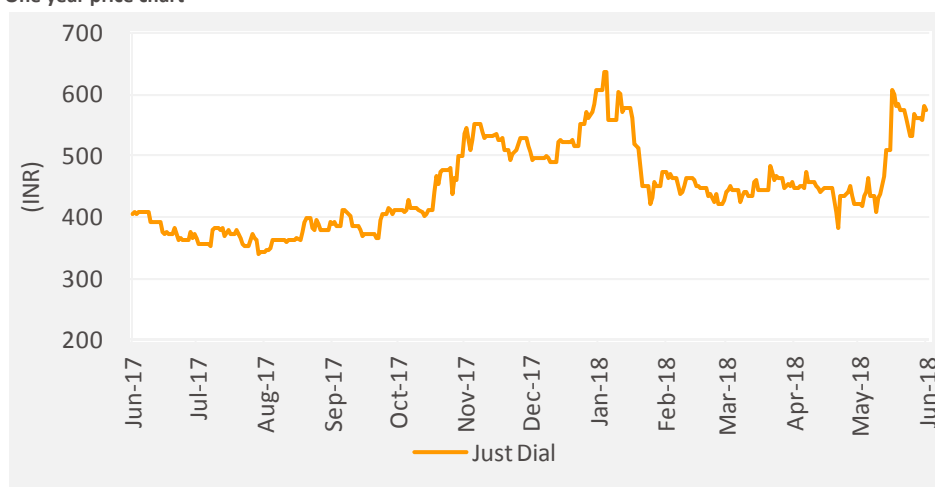
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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