

## Growth momentum likely to continue in FY24...

**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

**Q4FY23 Results:** JDL reported strong revenue growth in Q4FY23.

- Revenues grew 5%QoQ to ₹ 232.5 crore
- Paid campaigns grew 3.1% QoQ while realisation grew 1.9% QoQ
- Adjusted (ex-Esop) EBITDA grew ~200 bps QoQ to 15.3% to ₹ 35.6 crore

**What should investors do?** JDL's share price has grown by ~1.5x over the past five years (from ~₹ 449 in April 2018 to ~₹ 670 levels in April 2023).

- We maintain our **BUY** rating on the stock

**Target Price and Valuation:** We value JDL at ₹ 780 i.e. 20x P/E on FY25E EPS.

### Key triggers for future price performance:

- Continued increase in paid campaigns as well as realisation growth
- Ramp up in sales team is expected to drive revenue growth in both B2B and B2C businesses
- JDL will be a key beneficiary of this shift of advertising to digital medium and underpenetrated MSME (B2B) segment. 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 revenue CAGR of 16.8% in FY23-25E

**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 ₹ 1,255

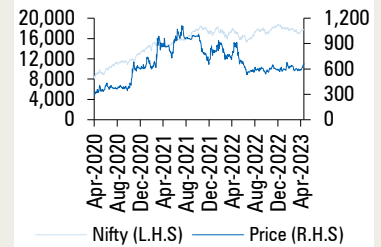
### Particulars

Particular	Amount
Market Capitalization (₹ Crore)	5,560.1
Total Debt(₹ Crore)	-
Cash and Investments (₹ Crore)	4,066.8
EV (₹ Crore)	1,493.3
52 week H/L	945 / 520
Equity capital	84.3
Face value	10.0

### Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22
Promoters	77.6	77.1	77.0	75.0
FII	3.2	2.9	2.7	3.4
DII	4.9	5.9	6.0	8.8
Others	14.3	14.2	14.3	12.9

### Price Chart



### Recent Event & Key risks

- Paid campaigns surpassed pre-Covid level
- **Key Risk:** (i) Below expected margin performance (ii) Lower-than-expected revenue growth

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### Key Financial Summary

Key Financials	FY21	FY22	FY23	5 year CAGR (FY18-23)	FY24E	FY25E	2 year CAGR (FY23-25E)
Net Sales	675	647	845	1.6	1,015	1,152	16.8
EBITDA	155	(2.2)	86		159	204	54.1
EBITDA Margins (%)	22.9	(0.3)	10.2		15.7	17.7	
Net Profit	214	71	163	2.6	296	329	42.2
EPS (₹)	33.0	8.5	19.3		35.1	39.0	
P/E	20.1	78.5	34.5		19.0	17.0	
RoNW (%)	16.9	2.0	4.4		7.5	7.7	
RoCE (%)	19.0	2.5	5.1		9.7	9.9	

## Key takeaways of result and conference call highlights

- The company continue to report strong revenue growth with a revenue of ₹ 232.5 crore in Q4, up 5% QoQ & 39.5% YoY. The company indicated that monthly ECS plans continue to grow strongly and in March 2023 it generated revenue of ~₹ 45 crore compared to ~₹ 26 crore in March last year. The company also reported a deferred revenue of ₹438.2 crore, up 8.9% QoQ & 29.6% YoY
- Paid campaigns increased by 16,340 to 538,220, up 3.1% QoQ while average per paid realisation grew 1.9% QoQ to ₹ 4,320. JDL reported that top 11 cities contributed ~41% of paid campaigns and ~61% of revenue during the quarter. On the pricing front, the company indicated that Tier I cities pricing was almost twice compared to Tier II cities pricing
- EBITDA margins continued to improve. In Q4, its EBITDA margin increased 200 bps QoQ to 14.3% while in absolute terms it reported an EBITDA of ₹ 33.2 crore, up 22.2% QoQ. The EBITDA margin increased due to revenue growth and operational efficiency. The company reported adjusted EBITDA excluding Esop expenditure of ₹ 35.6 crore with an adjusted EBITDA margin of 15.3%. The company reported other income of ₹ 74.2 crore and PAT of ₹ 83.6 crore with PAT margin of 36%
- For FY23, the company reported revenue of ₹ 844.8 crore compared to ₹ 647 crore in FY22 and ₹ 675 crore in FY21, which was impacted due to Covid. For FY23, the company reported an EBITDA of ₹ 85.8 crore with an EBITDA margin of 10.2% while adjusted EBITDA excluding Esop expenditure was ₹ 95.5 crore with an adjusted EBITDA margin of 11.3%. The company for FY23 reported PAT of ₹ 162.7 crore with PAT margin of 19.3%
- The company indicated that its performance in FY21 and FY22 was impacted by Covid. In FY23, it witnessed a strong recovery on both paid campaigns as well as on realisation. It mentioned that paid campaigns are currently above the pre-pandemic peak while realisation is still below pre-pandemic levels (mid to high single digit). On opportunity, going forward, the company mentioned that there are roughly 80 to 90 million SMEs in India and it does not see any reason why at least 1% or 2% go for digital advertising (campaigns) on their platform. Hence, the opportunity is abundant ahead. The company also indicated that it gave a price discount during Covid times. Hence, realisation is still below pre-pandemic level though significantly improved from trough. The company indicated that current pricing is still at an affordable range for SMEs and there is enough scope for that to improve to ₹ 18,000 to ₹ 20,000 per annum in the medium term. In this background, it mentioned that FY24 revenue growth will be aided by both paid campaigns as well as realisation (roughly 50:50 mix each)
- On cash utilisation, the company mentioned that it has ₹ 4,000 crore of cash & investments currently on the book. They have been deployed in safe instruments, which are giving the company 7-7.2% yield. JDL indicated that it is looking to preserve cash as the macro environment remains uncertain and it operates in a disruptive space. The company also indicated that it could use some part of cash for any inorganic opportunity
- The company indicated that it expects margin expansion to continue in FY24 on strong growth as well as operating leverage. JDL indicated that it has hired aggressively in the last two years wherein the cost hits P&L immediately while revenue growth will be back ended. The company is now looking to calibrate the hiring. Hence, employee costs are likely to be stable in the medium term. The company also indicated that it is likely to spend ₹ 35-40 crore on advertising in FY24 and the spend would be done on the core business. JDL indicated that advertising spend on new initiatives will be over and above this spend

- On JD Shopping, the company indicated that it is not finding unit economics favourable in this business so far. It mentioned that it did certain pilots in this business and it is currently able to earn 7-8% margins, which it is finding difficult to scale up from this level. The company also indicated that fulfilment of product orders on this platform is being done by merchants. It does not have any control on quality. JDL also added that for maintaining the quality of product, significant investment is needed. The company indicated that it is primarily likely to focus on services, which is its expertise. The company indicated that it is primarily looking for a model wherein it would be fetching prices of any product ordered by the customer from local suppliers. Payment will happen on its platform and the seller will be able to do the fulfilment through a third-party logistics supplier, which is empanelled to the company. On JD Experts, the company mentioned that largest player in this space has ₹ 300-400 crore revenues while advertisement spend for the same player is to the tune of ₹ 800-900 crore, which is impacting profitability. The company mentioned that pricing of JD Experts is quite competitive (i.e. ₹ 299 for hair cut) and it is not looking to spend heavily on advertising for JD Experts, which would result in unfavourable unit economics. On JD Home, where the company was earlier working as a property dealer, now it has included additional features like search. Then, the buyer will navigate towards the dealer. The company indicated that competition is quite intense in this field while it is looking to scale up revenues without burning much of cash
- The company indicated that the B2B business now contributes to 26% of revenue in FY23 while at the exit, the contribution of B2B business could be higher by 150 bps. JDL mentioned that B2B business contribution has increased from 20% three years ago and has the potential to reach 30-35% of the revenue mix in the medium term. The company also indicated that B2B business traffic share for FY23 is at 10%. JDL mentioned that it has a dedicated team of 750 members in this business. This business is likely to be a key driver for the next two to three years. The company also indicated that realisation of this business is 10-15% premium to rest of the businesses as most SMEs require this platform to reach out to its customers. JDL indicated that currently 110,000-120,000 paid campaigns are from the B2B business, which is 20-22% of the base
- The company indicated that integration with Open Network for Digital Commerce (ONDC) is in initial stages as the ONDC architecture is being finalised. JDL indicated that changes in the architecture may not likely impact its new initiatives as ONDC plays a role more on the product side of the business while it is a services company. The company also indicated that the amount of ₹ 30 crore, which it spent on new initiatives will move from intangibles in the balance sheet and will be capitalised from Q1FY24 onwards for the next two to three years
- Its unique quarterly visitors grew 1.7% to 159.3 million (mn). JDL reported that 86.1% of the traffic was mobile based while desktop & voice based were 10.4% & 3.5%, respectively. JDL's ratings and reviews increased 2.3% QoQ & 10.5% YoY to 143 mn while total app downloads were at 33.1 mn, up 2.8% QoQ & 7.8% YoY. The company further mentioned that it is upgrading its website to increase the desktop-based traffic
- The company's net sales employees during the quarter declined by 357 bringing the total sales employee strength to 11,590. JDL mentioned that Q4 is a weaker quarter for hiring. Hence, there was a decline in headcount. The company, however, indicated that hiring will pick up in Q1 as JDL does bulk of fresher hiring in Q1. The company, however, indicated that its hiring in FY24 will be more balanced with ~8-10% increase in headcount. Its hiring plan will be assessed after deployment of staff, which is currently trained by the company
- The company indicated that in Q4 it paid tax of ₹ 12.2 crore (tax rate of 12.7% on PBT) and for FY23 it paid tax of ₹ 25.1 crore (tax rate of 13.4% on PBT). JDL, however, indicated that for FY24 it expects tax rate in range of 24-25%

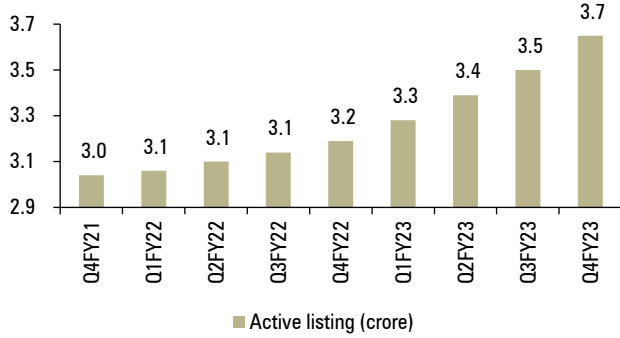
Exhibit 1: P&L

	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Revenue	232.5	166.7	39.5	221.4	5.0	Paid campaigns grew by 3.1% QoQ & realizations grew by 1.9% QoQ aiding revenue growth
Employee expenses	172.3	143.6	20.0	167.3	3.0	
Gross Margin	60.3	23.1	160.7	54.1	11.5	
Gross margin (%)	25.9	13.9	1205 bps	24.4	150 bps	
Other expenses	27.1	29.3	(7.5)	26.9	0.7	
EBITDA	33.2	(6.1)	(641.6)	27.2	22.2	
EBITDA Margin (%)	14.3	(3.7)	1796 bps	12.3	200 bps	Margin improved due to moderation of employee cost & flat other expenses
Depreciation & amortisation	9.0	6.9	29.9	8.5	6.3	
EBIT	24.2	(13.1)	(285.3)	18.7	29.4	
EBIT Margin (%)	10.4	(7.8)	1824 bps	8.4	196 bps	
Other income (less interest)	71.6	33.6	113.2	69.0	3.7	
PBT	95.8	20.5	367.1	87.7	9.2	
Tax paid	12.2	(1.6)	(883.9)	12.4	(1.8)	
PAT	83.6	22.1	279.1	75.3	11.0	

Source: Company, ICICI Direct Research

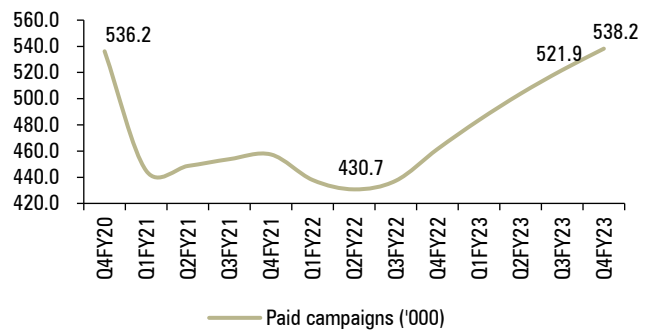
Key metrics

Exhibit 2: Active listings continue to grow



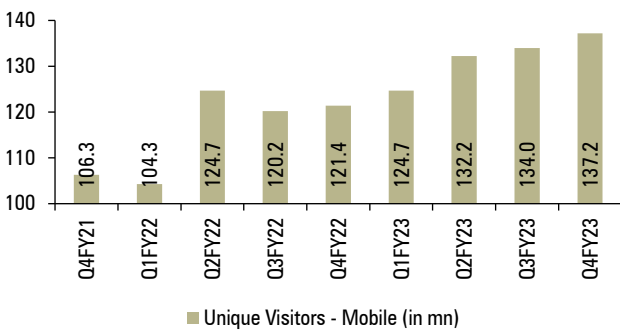
Source: Company, ICICI Direct Research

Exhibit 3: Campaigns surpass pre-Covid levels



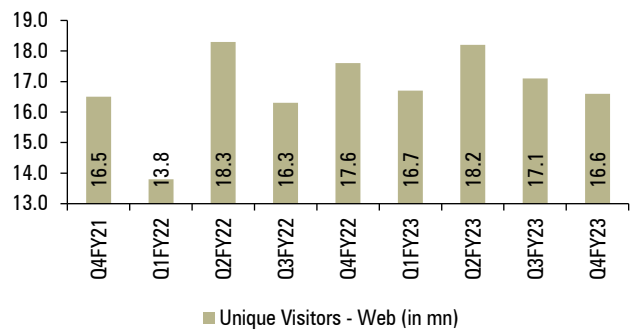
Source: Company, ICICI Direct Research

Exhibit 4: Unique mobile visitors dominate traffics



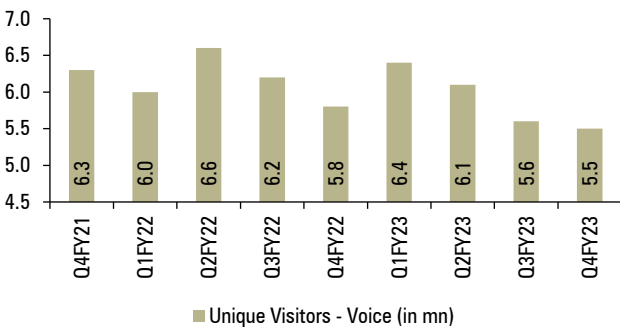
Source: Company, ICICI Direct Research

Exhibit 5: While unique web visitors decline in Q4FY23



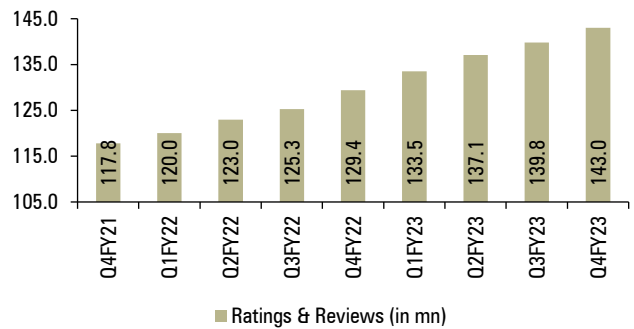
Source: Company, ICICI Direct Research

Exhibit 6: Unique voice visitors trend



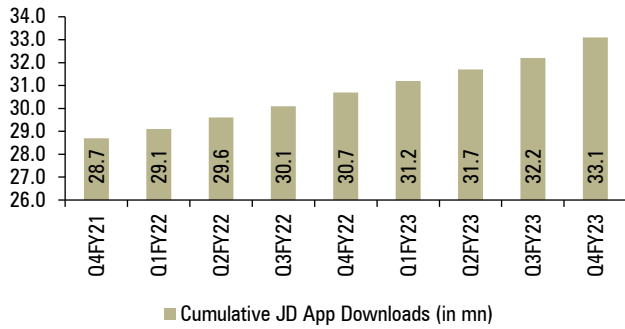
Source: Company, ICICI Direct Research

Exhibit 7: Ratings & reviews trend



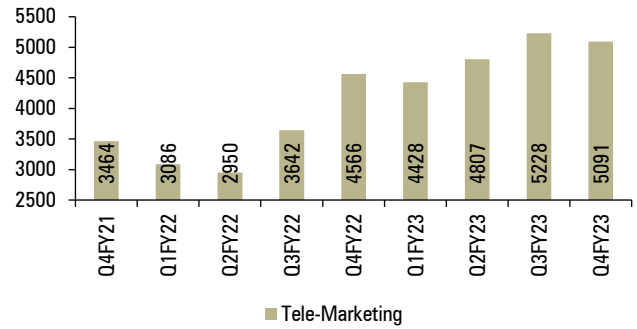
Source: Company, ICICI Direct Research

Exhibit 8: JD app download trend



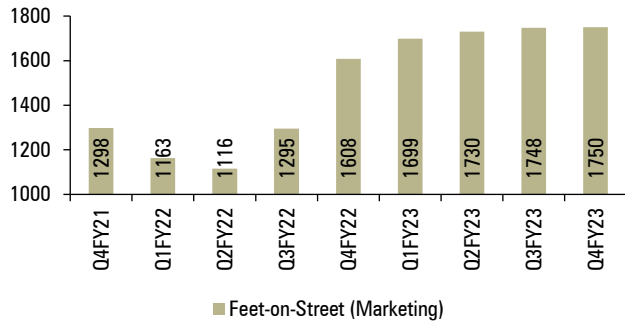
Source: Company, ICICI Direct Research

Exhibit 9: Hiring down in Q4, expected to pick up in Q1



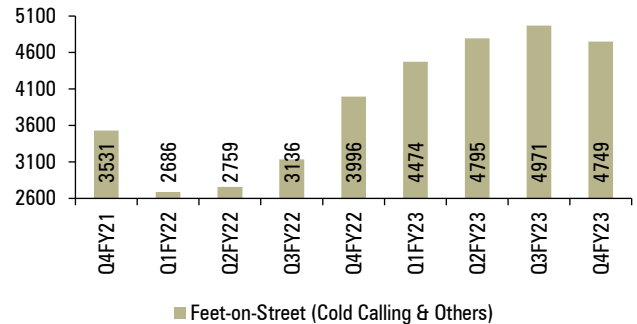
Source: Company, ICICI Direct Research

Exhibit 10: Feet-on-street (marketing) team trend



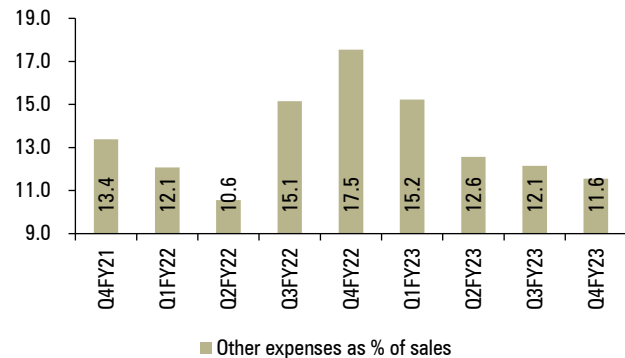
Source: Company, ICICI Direct Research

Exhibit 11: Feet-on-street (cold calling & others) team trend



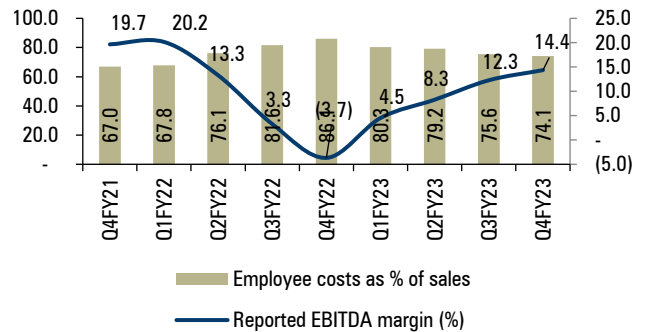
Source: Company, ICICI Direct Research

Exhibit 12: Other expenses as percentage of sales moderating



Source: Company, ICICI Direct Research

Exhibit 13: Moderating employee cost aiding margin improvement



Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 14: Profit & loss statement (₹ crore)				
	FY22	FY23	FY24E	FY25E
<b>Total Revenues</b>	<b>647</b>	<b>845</b>	<b>1,015</b>	<b>1,152</b>
Growth (%)	(4.2)	30.6	20.2	13.5
COGS	504	651	739	816
Other Expenses	145	108	117	132
<b>EBITDA</b>	<b>(2)</b>	<b>86</b>	<b>159</b>	<b>204</b>
Growth (%)	(101.4)	(4,069.9)	85.8	27.9
Depreciation	30	32	40	40
Other Income	122	142	281	281
Interest paid	7	8	6	6
PBT	83	188	394	439
Growth (%)	(67.3)	125.5	109.8	11.3
Total Tax	12	25	99	110
PAT	71	163	296	329
<b>Adjusted PAT</b>	<b>71</b>	<b>163</b>	<b>296</b>	<b>329</b>
Adjusted PAT (Growth %)	(66.9)	129.7	81.6	11.3
EPS	9.5	19.3	35.1	39.0
EPS (Growth %)	(71.3)	103.3	81.6	11.3

Source: Company, ICICI Direct Research,

Exhibit 15: Cash flow statement (₹ crore)				
	FY22	FY23	FY24E	FY25E
Net profit before Tax	83	188	394	439
Depreciation	30	32	40	40
(inc)/dec in Current Assets	2	(10)	(18)	(14)
(inc)/dec in current Liabilities	21	112	100	102
<b>CF from operations</b>	<b>39</b>	<b>179</b>	<b>143</b>	<b>182</b>
Other Investments	(2,172)	(114)	281	281
(Purchase)/Sale of Fixed Assets	(15)	(50)	(25)	(29)
<b>CF from investing Activities</b>	<b>(2,187)</b>	<b>(163)</b>	<b>255</b>	<b>252</b>
Inc / (Dec) in Equity Capital	2,166	1	-	-
Othes	(22)	(24)	(24)	(24)
Dividend & Buyback	-	-	-	-
Interest Paid on Loans	-	-	(6)	(6)
<b>CF from Financial Activities</b>	<b>2,109</b>	<b>(23)</b>	<b>(30)</b>	<b>(30)</b>
Cash generating during the year	(38)	(7)	368	404
Opening cash balance	61	22	16	384
<b>Closing cash</b>	<b>22</b>	<b>16</b>	<b>384</b>	<b>788</b>

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet (₹ crore)				
	FY22	FY23	FY24E	FY25E
Equity	84	84	84	84
Reserves & Surplus	3,403	3,583	3,878	4,207
Networth	3,486	3,667	3,963	4,292
Minority Interest	-	-	-	-
Total Debt	-	-	-	-
Other long term liabilities	124	138	166	188
<b>Source of funds</b>	<b>3,610</b>	<b>3,805</b>	<b>4,128</b>	<b>4,479</b>
Net Block	131	148	156	166
CWIP	-	-	-	-
Other intangible assets&Goo	3	34	34	34
Other long term assets	363	32	40	48
Current investments	3,465	4,051	4,051	4,051
Other financial assets	9	11	13	15
Cash & Cash equivalents	23	16	384	788
Loans and advances	0	1	1	1
Other Current Assets(OCA)	40	44	53	60
Trade payables	15	15	22	25
Other Current liabilities	395	504	570	646
Provisions	14	12	12	12
<b>Application of funds</b>	<b>3,610</b>	<b>3,805</b>	<b>4,128</b>	<b>4,479</b>

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
<b>Per share data (₹)</b>				
EPS	8.5	19.3	35.1	39.0
BV per share	417.0	434.9	470.0	509.0
DPS	-	-	-	-
Cash per Share	2.8	1.8	45.5	93.4
<b>Operating Ratios</b>				
EBITDA Margin (%)	(0.3)	10.2	15.7	17.7
EBIT Margin (%)	(5.0)	6.3	11.8	14.2
PAT Margin (%)	10.9	19.3	29.1	28.6
Creditor days	8	7	8	8
<b>Return Ratios (%)</b>				
RoE	2.0	4.4	7.5	7.7
RoCE	2.5	5.1	9.7	9.9
<b>Valuation Ratios (x)</b>				
P/E	78.5	34.5	19.0	17.0
EV / EBITDA	NA	17.4	7.1	3.5
Price to Book Value	1.6	1.5	1.4	1.3
EV / Net Sales	3.2	1.8	1.1	0.6
Market Cap / Sales	8.6	6.6	5.5	4.8
<b>Solvency Ratios</b>				
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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