

CMP: ₹ 816

Target: ₹ 900 (10%)

Target Period: 12 months

HOLD

May 4, 2022

Recovery to take time

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

Q4FY22 Results: JDL reported weak numbers in Q4FY22.

- Revenues grew 4.9% QoQ to ₹ 166.7 crore
- Paid campaigns were up 5.5% QoQ while realisation was down -0.6% QoQ
- Adjusted (ex-Esop) EBITDA loss was ₹ 80 lakh while adjusted margins were at -0.5%

What should investors do? JDL's share price has grown by ~1.7x over the past five years (from ~₹ 503 in April 2017 to ~₹ 816 levels in April 2022).

- We change our rating from BUY to **HOLD**

Target Price and Valuation: We value JDL at ₹ 900 i.e. 23x 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 revenue CAGR of 22.1% over FY22-24E
- 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 ₹ 1,500

Particulars

Particular	Amount
Market Capitalization (₹ Crore)	6,822.6
Total Debt(₹ Crore)	-
Cash and Investments (₹ Crore)	3,487.9
EV (₹ Crore)	3,334.7
52 week H/L	1138 / 645
Equity capital	83.6
Face value	10.0

Shareholding pattern

	Jun-21	Sep-21	Dec-21	Mar-22
Promoters	35	52	78	78
FII	29	17	3	3
DII	14	9	4	5
Others	22	22	15	14

Price Chart



Recent Event & Key risks

- Employee count at pre-pandemic level
- Key Risk:** (i) Better than expected margin performance (ii) Inability to scale up B2B business

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Key Financial Summary

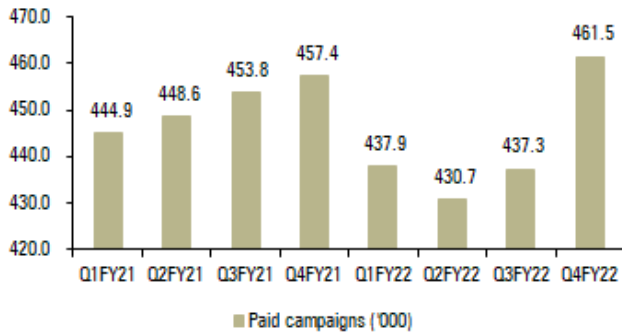
Key Financials	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Net Sales	953	675	647.0	-2%	882	964	22%
EBITDA	273	155	(2.2)		124	183	
EBITDA Margins (%)	28.6	22.9	(0.3)		14.0	19.0	
Net Profit	272	214	71		285	327	
EPS (₹)	42.0	33.0	8.5		34.1	39.1	
P/E	19.4	24.7	96.3		24.0	20.9	
RoNW (%)	21.1	16.9	2.0		7.8	8.6	
RoCE (%)	25.7	19.0	2.5		9.8	10.9	

Source: Company, ICICI Direct Research

Key takeaways of result and conference call highlights

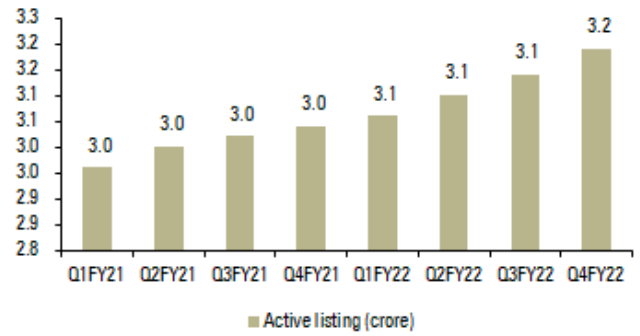
- The company reported revenue of ₹166.7 crore for the quarter, which grew 4.9% QoQ while it was down 5.1% YoY. Paid campaigns were at 461,495 which grew 5.5% QoQ while realisation declined 0.6% QoQ
- JDL reported an EBITDA loss of ₹ 6.1 crore while adjusted to Esop charges, EBITDA loss was at ₹ 80 lakh. The company reported PAT of ₹ 22 crore due to higher other income of ₹ 35.2 crore
- The company indicated that it has 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 71% of the paid campaigns in Q4 were on this plan vs. 23-24% a year ago
- JDL indicated that EBITDA loss in the quarter was on account of revenues, which were deferred in nature (signups in the last few quarters) while the costs (in terms of elevated investments in manpower/technology) hits P&L immediately. The company indicated that realisable value (which is new campaigns signup + deferred revenue) for the quarter was ₹230-232 crore which is now almost equal to pre-pandemic level. Hence, they are hopeful of recovery in revenues, going forward
- The company indicated that they would continue to invest in manpower and advertising in FY23 as well. JDL indicated that advertising spend in FY23 would be in the range of ₹ 60-65 crore (50-60% of the spend towards digital in core business) and would have an impact on EBITDA margins in FY23. The company expects long term steady state EBITDA margins in the business to be in the range of 25-30%. The company maintained that its current focus is on recovery of the core business and it would like continue to chase growth
- JDL continue to maintain that JD would continue to operate as an independent entity while they are in active discussion with the parent RRVL for synergy benefits with parent's apps. They also indicated that they would like to replicate success of some the apps on Jio Mart (i.e. reseller plan on their platform) The company continues to see good progress on JD Mart and has a dedicated team for monetisation on the platform. The company expects higher contribution from B2B business (25% of the mix currently). JD Shopping currently does not have transaction facility, which would be available from Q1FY23 end or start of Q2FY23
- The company maintained that it would continue to operate as a third party seller and will not hold its own inventory, which is in line with new retail policy, which is being worked out

Exhibit 1: Paid campaigns trend



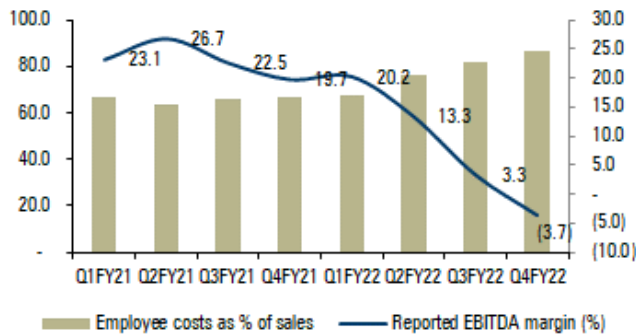
Source: Company, ICICI Direct Research

Exhibit 2: Active listing trend



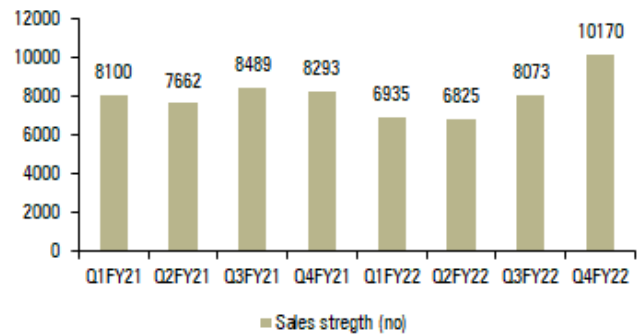
Source: Company, ICICI Direct Research

Exhibit 3: Elevated employee costs impacting margins



Source: Company, ICICI Direct Research

Exhibit 4: Sales strength on rise



Source: Company, ICICI Direct Research

Exhibit 5: Change in estimates

	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
(₹ Crore)							
Revenue	966	882	-8.7	1,113	964	-13.4	Numbers aligned as per FY22 performance
EBITDA	222	124	-44.4	267	183	-31.4	
EBITDA Margin (%)	23.0	14.0	-898 bps	24.0	19.0	-499 bps	Margin trim on continued elevated spending in advertising, Manpower & Technology
PAT	351	285	-18.9	381	327	-14.2	
EPS (₹)	42.0	34.1	-18.9	46.0	39.1	-14.2	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 6: Profit & loss statement (₹ crore)				
	FY21	FY22	FY23E	FY24E
Total Revenues	675	647	882	964
Growth (%)	(29.2)	(4.2)	36.4	9.3
COGS	443	504	556	588
Other Expenses	77	145	203	193
EBITDA	155	(2)	124	183
Growth (%)	(43.3)	(101.4)	(5,818.9)	48.3
Depreciation	42	30	30	30
Other Income	150	122	278	278
Interest paid	7	7	7	7
PBT	255	83	365	425
Growth (%)	(27.6)	(67.3)	338.3	16.4
Total Tax	40	12	80	98
PAT	214	71	285	327
Adjusted PAT	214	71	285	327
PAT	(21.4)	(66.9)	302.0	14.9
EPS - diluted	33.0	8.5	34.1	39.1
EPS (Growth %)	(21.4)	(74.3)	302.0	14.9

Source: Company, ICICI Direct Research,

Exhibit 7: Cash flow statement (₹ crore)				
	FY21	FY22	FY23E	FY24E
Net profit before Tax	255	83	365	425
Depreciation	42	30	30	30
(inc)/dec in Current Assets	(2)	2	(21)	(9)
(inc)/dec in current Liabilities	(1)	21	131	62
CF from operations	139	39	154	138
Other Investments	178	(2,172)	278	278
(Purchase)/Sale of Fixed Assets	(4)	(15)	(5)	(6)
CF from investing Activities	174	(2,187)	273	272
Inc / (Dec) in Equity Capital	1	2,166	-	-
Othes	(19)	(22)	(22)	(22)
Dividend & Buyback	(273)	-	(142)	(164)
Interest Paid on Loans	-	-	(7)	(7)
CF from Financial Activities	(291)	2,109	(171)	(192)
Cash generating during the year	22	(38)	256	218
Opening cash balance	39	61	22	278
Closing cash	61	22	278	496

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet (₹ crore)				
	FY21	FY22	FY23E	FY24E
Equity	62	84	84	84
Reserves & Surplus	1,202	3,403	3,545	3,708
Networth	1,264	3,486	3,629	3,792
Minority Interest	-	-	-	1
Total Debt	-	-	-	-
Other long term liabilities	116	124	152	166
Source of funds	1,380	3,610	3,780	3,958
Net Block	137	131	122	115
CWIP	-	-	-	-
Other intangible assets&Goo	1	3	3	3
Other long term assets	1,533	363	367	375
Current investments	-	3,465	3,465	3,465
Other financial assets	12	9	16	17
Cash & Cash equivalents	62	23	278	496
Loans and advances	0	0	1	1
Other Current Assets(OCA)	42	40	55	60
Trade payables	15	15	19	21
Other Current liabilities	378	395	493	539
Provisions	14	14	14	14
Application of funds	1,380	3,610	3,780	3,958

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios (Year-end March)				
	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Adjusted EPS (Diluted)	33.0	8.5	34.1	39.1
BV per share	195.1	417.0	434.0	453.5
DPS	-	-	17.0	19.6
Cash per Share	9.5	2.8	33.3	59.4
Operating Ratios				
EBITDA Margin (%)	22.9	(0.3)	14.0	19.0
EBIT Margin (%)	16.7	(5.0)	10.6	15.9
PAT Margin (%)	31.7	10.9	32.3	33.9
Creditor days	8	8	8	8
Return Ratios (%)				
RoE	16.9	2.0	7.8	8.6
RoCE	19.0	2.5	9.8	10.9
Valuation Ratios (x)				
P/E	24.7	96.3	24.0	20.9
EV / EBITDA	33.9	NA	22.2	13.8
Price to Book Value	4.2	2.0	1.9	1.8
EV / Net Sales	7.8	5.2	3.1	2.6
Market Cap / Sales	10.1	10.5	7.7	7.1
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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