

RESEARCH
Just Dial | Target: Rs 1,330 | +24% | BUY

Reliance Retail to acquire controlling stake; BUY

L&T Infotech | Target: Rs 4,990 | +16% | BUY

Strong start to FY22

SUMMARY
Just Dial

- RRVL's Rs21.6bn capital infusion to acquire 25% of JUST DIAL (JUST) to drive revenue growth was the key positive development.
- JUST DIAL's (JUST) 1.8% YoY Q1 growth stood far below our estimate of 5.3%. EBITDA was negative for first time due to 311% SG&A growth.
- We raise FY23/24 EPS by 16.5%/11.6% incorporating the increased cash on books and target PE from 27.5x to 34.4x. Raise to BUY from SELL.

[Click here for the full report.](#)
L&T Infotech

- LTI's Q1FY22 revenue grew 5.1% QoQ USD, its best first-quarter growth ever, due to an uptick in hi-tech and BFS
- EBIT margin was in line with estimates at 16.4%, declining 290bps QoQ due to back-to-back wage hikes
- Maintain BUY given LTI's strong revenue mix, traction in hi-tech and favourable offshore presence; TP raised to Rs 4,990 on rollover

[Click here for the full report.](#)
Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.30	(5bps)	(20bps)	68bps
India 10Y yield (%)	6.19	(1bps)	19bps	38bps
USD/INR	74.55	0.1	(1.7)	0.9
Brent Crude (US\$/bbl)	73.47	(1.7)	0.8	69.4
Dow	34,987	0.2	1.7	30.9
Shanghai	3,565	1.0	(0.7)	11.0
Sensex	53,159	0.5	1.2	45.8
India FII (US\$ mn)	14-Jul	MTD	CYTD	FYTD
FII-D	(11.4)	(19.5)	(3,186.3)	(1,159.0)
FII-E	(164.2)	(505.1)	7,579.0	252.7

Source: Bank of Baroda Economics Research

BOBCAPS Research

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BUY
 TP: Rs 1,330 | ▲ 24%

JUST DIAL

| Internet

| 17 July 2021

Reliance Retail to acquire controlling stake; BUY

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Justdial deal with Reliance Retail: Reliance Retail Venture Limited (RRVL) announced that through preferential allotment with JUST it will be acquiring 21.7mn equity shares representing 25% of JUST at Rs1022.25/sh. A secondary post preferential allotment stake acquisition worth Rs13.3bn and an open offer for 26% stake will be also made by RRVL. Mr.VSS Mani will continue as the MD and CEO of JUST through the next phase of growth. The infused capital of Rs21.6bn will help JUST expand to become a comprehensive commerce and local listing platform and help drive its revenue growth. These investments will leverage Just Dial’s existing database of ~30.4 million listings and its existing consumer traffic of ~ 129.1 million quarterly unique users.

Possible addition to Jio Platforms: This stake acquisition aligns with Reliance’s vision of building a digital society with components such as Commerce, Connectivity, Enterprise, Security, Health, Home, Education and government. Acquiring stake in JUST fits in the Commerce and Enterprise part of the vision as JUST’s new venture- JD Mart brings 7mn-8mn product listings and 85k-90k paying suppliers to enrich the Enterprise part of the ecosystem.

Dismal first quarter performance: JUST reported Q1FY22 revenue growth of 1.8% YoY vs. estimated 5.3% and EBITDA loss of Rs172mn (est. loss of Rs99mn). The dismal growth was on the back of weakness due to covid second wave. Employee cost was up by just 4% YoY. EBITDA margin was impacted due to 311% YoY increase in SG&A and other operating costs (consisting of majorly advertising costs). Other income was also down 70% YoY. Net profit stood at -Rs35mn, down 104% YoY.

Upgrade to BUY: In our view, Reliance Industries parentage brings in a differentiated advantage and enables new possibilities for JUST. We upgrade stock to BUY V/s SELL earlier with revised TP of Rs1,330 (V/s Rs 920 earlier). We now assign 25% premium to the native business and execution risk discount for JD mart to 25%. We raise FY23-24 EPS by 16.5%/ 11.6% post incorporating Rs21.6bn cash on the books (leading to increased other income).

Key changes

	Target	Rating
	▲	▲

Ticker/Price	JUST IN/Rs 1,073
Market cap	US\$ 889.5mn
Free float	66%
3M ADV	US\$ 45.4mn
52wk high/low	Rs 1,138/Rs 332
Promoter/FPI/DII	34%/40%/26%

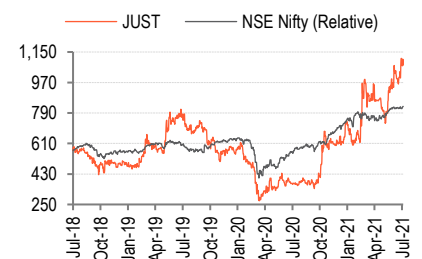
Source: NSE | Price as of 16 Jul 2021

Key financials

Y/E 31 Mar	FY21P	FY22E	FY23E
Total revenue (Rs mn)	6,752	7,032	8,234
EBITDA (Rs mn)	1,549	863	1,912
Adj. net profit (Rs mn)	2,142	1,002	2,749
Adj. EPS (Rs)	33.8	11.8	32.5
Consensus EPS (Rs)	33.8	27.0	41.0
Adj. ROAE (%)	16.8	4.2	7.5
Adj. P/E (x)	31.8	90.5	33.0
EV/EBITDA (x)	42.8	77.1	28.8
Adj. EPS growth (%)	(19.2)	(64.9)	174.3

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



BUY
 TP: Rs 4,990 | ▲ 16%

L&T INFOTECH

| IT Services

| 16 July 2021

Strong start to FY22

- LTI’s Q1FY22 revenue grew 5.1% QoQ USD, its best first-quarter growth ever, due to an uptick in hi-tech and BFS
- EBIT margin was in line with estimates at 16.4%, declining 290bps QoQ due to back-to-back wage hikes
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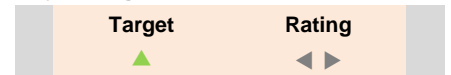
Strong, broad-based growth in seasonally weak quarter: LTI posted robust 5.1% QoQ USD revenue growth (3.3% est.) in a seasonally weak quarter, with a secular uptick across verticals and geographies. The company saw strong momentum in hi-tech/BFS (+13.1%/+9.9% QoQ USD), with the hi-tech vertical benefiting from the US\$ 204mn Injazat deal. Insurance also recorded strong growth of 5.1% QoQ, recovering after five quarters of weakness as LTI added new logos. Manufacturing contracted 6.7% QoQ because of pass-through revenues in Q4FY21, though the demand environment remains robust. ENU is also recovering well at 5.1%. North America and Europe both grew 5-7% QoQ.

Margin affected by successive wage hikes: EBIT margin stood at 16.4% (16.2% est.), contracting 290bps QoQ due to wage hikes (-340bps), provisioning (-120bps) and investment in sales & marketing (-60bps) – the decline was partially offset by increased utilisation (140bps) and forex gains (80bps). Offshoring reached an all-time high of 57.3%, up 140bps QoQ. Utilisation too was at a record high of 83.7%, up 290bps QoQ.

Positive outlook: Despite finishing off FY21 with 9.5% YoY growth, LTI had a strong start to FY22. Digital demand is accelerating with an increase in discretionary spending. The field of digital engineering is gaining traction and LTI’s Cuelogic acquisition is a step towards capturing this demand. Per management, the pipeline is strong despite the absence of large deal announcements in Q1 and has a mix of smaller and mid-sized deals. LTI plans to hire a record 4,500 freshers (1.5x FY21 hiring) in FY22. Net profit margin guidance for FY22 remains intact at 14-15%.

Maintain BUY: We are confident of LTI achieving top quartile growth in the industry in FY22 despite coming off a very high revenue upswing in FY21. The robust 5.1% QoQ USD growth in a seasonally weak first quarter supports our view. The pipeline remains strong and margin execution deft, with upbeat net margin guidance for FY22. We tweak estimates and roll forward to a new Jun’22 TP of Rs 4,990 (vs. Rs 4,710), based on an unchanged one-year forward P/E multiple of 30x. BUY.

Key changes



Ticker/Price	LTI IN/Rs 4,289
Market cap	US\$ 10.1bn
Free float	25%
3M ADV	US\$ 19.4mn
52wk high/low	Rs 4,600/Rs 2,195
Promoter/FPI/DII	75%/8%/10%

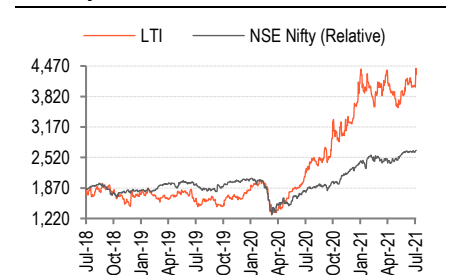
Source: NSE | Price as of 16 Jul 2021

Key financials

Y/E 31 Mar	FY21P	FY22E	FY23E
Total revenue (Rs mn)	123,698	152,839	184,139
EBITDA (Rs mn)	27,253	31,346	38,390
Adj. net profit (Rs mn)	19,383	23,527	27,792
Adj. EPS (Rs)	110.5	134.1	158.4
Consensus EPS (Rs)	110.5	125.4	145.8
Adj. ROAE (%)	30.5	29.5	29.3
Adj. P/E (x)	38.8	32.0	27.1
EV/EBITDA (x)	27.6	24.0	19.5
Adj. EPS growth (%)	27.8	21.4	18.1

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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