

**BUY**

TP: Rs 1,330 | ▲ 24%

**JUST DIAL**

| Internet

| 17 July 2021

## Reliance Retail to acquire controlling stake; BUY

- 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.

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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%

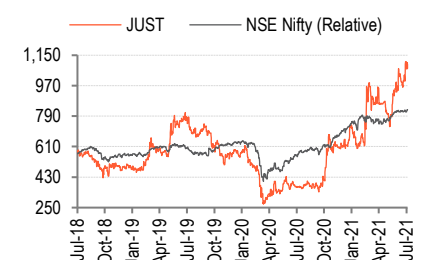
Source: NSE | Price as of 16 Jul 2021

### 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



### Reliance -Just dial deal details:

Reliance Industries Ltd owned retail unit to buy majority stake in local search and listings firm Just Dial Ltd. with total investment of Rs 5,719 crore.

- Reliance Retail Ventures Ltd (RRVL). will acquire 25.35% via preferential allotment of 2.11 crore shares at Rs 1,022.25 apiece, totalling Rs 2,164.9 crore. The preferential issue will be at a 4.9% discount to Friday's closing price of Rs 1,073.
- RRVL to acquire 13.1 mn shares from the promoters at Rs 1,020/sh.
- Reliance Retail will then make an open offer for an additional 26% of public shareholding.

On completion of the transaction, RRV will own aggregate 66.95% stake in Just Dial. Existing promoters will continue to own 10.6% and VSS Mani will remain the managing director for five years.

**Fig 1 – Quarterly performance**

(Rs mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY20	YoY (%)
Revenue (Rs mn)	1,654	1,624	1.8	1,757	(5.8)	6,752	9,531	(29.2)
Operating Expenditure	1,826	1,249	46.1	1,411	29.4	5,203	6,802	(23.5)
Cost of revenues	1,121	1,078	4.0	1,176	(4.7)	4,432	5,329	(16.8)
as % of sales	67.8	66.4		67.0		65.6	55.9	
SG&A expenses	705	172	310.8	235	199.8	771	1,472	(47.6)
as % of sales	42.6	10.6		13.4		11.4	15.4	
EBITDA	(172)	375	(145.8)	345	(149.7)	1,549	2,729	(43.3)
Depreciation	85	116	(26.9)	94	(9.7)	423	520	(18.7)
<b>EBIT</b>	<b>(257)</b>	<b>259</b>	<b>(199.4)</b>	<b>251</b>	<b>(202.3)</b>	<b>1,125</b>	<b>2,209</b>	<b>(49.1)</b>
Other Income	228	769	(70.4)	156	46.4	1,495	1,397	7.0
PBT	(44)	1,013	(104.3)	389	(111.3)	2,547	3,517	(27.6)
Total Tax	(9)	180	(104.8)	54	(116.3)	405	793	(49.0)
<b>Adjusted PAT</b>	<b>(35)</b>	<b>833</b>	<b>(104.2)</b>	<b>336</b>	<b>(110.5)</b>	<b>2,142</b>	<b>2,724</b>	<b>(21.4)</b>
(Profit)/loss from JV's/Ass/MI	0	0	-	0	-	0	0	-
APAT after MI	(35)	833	(104.2)	336	(110.5)	2142	2,724	(21.4)
Reported EPS	(0.57)	12.8	(104.4)	5.4	(110.5)	34.6	41.9	(17.3)
<b>Margins (%)</b>			<b>(bps)</b>		<b>(bps)</b>			<b>(bps)</b>
EBIDTA	(10.4)	23.1	(3,350)	19.6	(3,000)	22.9	28.6	(570)
EBIT	(15.5)	15.9	(3,140)	14.3	(2,980)	16.7	23.2	(650)
EBT	(2.7)	62.3	(6,500)	22.1	(2,480)	37.7	36.9	80
PAT	(2.1)	51.3	(5,340)	19.1	(2,120)	31.7	28.6	310
Effective Tax rate	19.8	17.7	210	13.7	610	15.9	22.6	(670)

Source: BOBCAPS Research, Company

## Valuation methodology

Post incorporating JUST's underwhelming Q1FY22 performance, we change the FY22 EPS by -27.8%, keep the FY23 /FY24 growth rates and EBITDA margins largely intact on limited information and commentary on nature and purpose of the deal. We incorporate Rs21.6bn cash on the balance sheet following the equity issue, leading to rise in other income (considering 6% yield on cash on books for FY22-24). Hence, we revise FY22/23/24 EPS by -27.8%/16.5%/11.6% due to increase in other income.

We increase the premium on JUST's native business by 25% and reduce the execution discount on JD Mart from 50% to 25% on Rs21.6bn cash infusion and possibilities arising from Reliance as the new promoter. We reach the one year forward target PE of 34.4x and roll forward to Jun'22 target price of Rs1,330 (vs. 920 before) which includes Rs180/sh JD Mart valuation. Upgrade to BUY.

**Fig 2 – Change in estimates**

(Rs mn)	FY22E			FY23E			FY24E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenues	7,089	7,032	(0.8)	8,234	8,234	0.0	9,208	9,208	0.0
YoY growth (%)	5.0	4.2	-	16.2	17.1	-	11.8	11.8	-
EBITDA	936	863	(7.8)	1,912	1,912	0.0	2,281	2,281	0.0
EBITDA margin (%)	13.2	12.3	-	23.2	23.2	-	24.8	24.8	-
Net profits	1,042	1,002	(3.8)	1,770	2,749	55.3	2,101	3,125	48.7
EPS (Rs)	16.4	11.8	-27.8%	27.9	32.5	16.5%	33.1	36.9	11.6%

Source: BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- JD Mart failing to take off despite cash infusion
- weak MSME health post covid 2.0

## Sector recommendation snapshot

Stock	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Affle (India)	AFFLE IN	2	4,377	6,240	BUY
IndiaMart InterMesh	INMART IN	3	7,229	7,170	HOLD
Just Dial	JUST IN	1	1,073	1,330	BUY

Source: BOBCAPS Research, NSE | Price as of 16 Jul 2021

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21P	FY22E	FY23E	FY24E
<b>Total revenue</b>	<b>9,531</b>	<b>6,752</b>	<b>7,032</b>	<b>8,234</b>	<b>9,208</b>
EBITDA	2,729	1,549	863	1,912	2,281
Depreciation	520	423	400	486	552
EBIT	2,209	1,125	463	1,426	1,729
Net interest inc./(exp.)	(89)	(74)	(60)	(60)	(60)
Other inc./(exp.)	1,397	1,495	936	2,299	2,497
Exceptional items	0	0	0	0	0
EBT	3,517	2,547	1,339	3,665	4,166
Income taxes	793	405	337	916	1,042
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>2,724</b>	<b>2,142</b>	<b>1,002</b>	<b>2,749</b>	<b>3,125</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>2,724</b>	<b>2,142</b>	<b>1,002</b>	<b>2,749</b>	<b>3,125</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21P	FY22E	FY23E	FY24E
Accounts payables	0	0	0	0	0
Other current liabilities	732	608	636	744	833
Provisions	90	139	144	169	189
Debt funds	764	630	630	630	630
Other liabilities	3,858	3,845	3,920	4,546	5,053
Equity capital	649	619	831	831	831
Reserves & surplus	12,228	12,022	34,461	37,209	40,334
Shareholders' fund	12,877	12,641	35,291	38,040	41,165
<b>Total liab. and equities</b>	<b>18,321</b>	<b>17,861</b>	<b>40,622</b>	<b>44,130</b>	<b>47,869</b>
Cash and cash eq.	396	608	23,194	26,506	30,141
Accounts receivables	0	0	0	0	0
Inventories	0	0	0	0	0
Other current assets	679	746	771	902	1,009
Investments	15,523	15,118	15,118	15,118	15,118
Net fixed assets	637	466	616	680	678
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	1,087	924	924	924	924
<b>Total assets</b>	<b>18,322</b>	<b>17,861</b>	<b>40,622</b>	<b>44,130</b>	<b>47,869</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21P	FY22E	FY23E	FY24E
<b>Cash flow from operations</b>	<b>1,464</b>	<b>1,263</b>	<b>611</b>	<b>1,623</b>	<b>1,747</b>
Capital expenditures	(21)	(252)	(550)	(550)	(550)
Change in investments	(1,475)	0	0	0	0
Other investing cash flows	227	1,421	876	2,239	2,438
<b>Cash flow from investing</b>	<b>(1,269)</b>	<b>1,169</b>	<b>326</b>	<b>1,689</b>	<b>1,888</b>
Equities issued/Others	(10)	(2,220)	21,649	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(270)	0	0	0	0
Dividends paid	0	0	0	0	0
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(280)</b>	<b>(2,220)</b>	<b>21,649</b>	<b>0</b>	<b>0</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(85)</b>	<b>212</b>	<b>22,586</b>	<b>3,312</b>	<b>3,635</b>
<b>Closing cash &amp; cash eq.</b>	<b>321</b>	<b>608</b>	<b>23,194</b>	<b>26,506</b>	<b>30,141</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21P	FY22E	FY23E	FY24E
Reported EPS	41.8	33.8	11.8	32.5	36.9
Adjusted EPS	41.8	33.8	11.8	32.5	36.9
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	208.3	204.5	570.8	615.3	665.8

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21P	FY22E	FY23E	FY24E
EV/Sales	6.9	9.8	9.5	6.7	4.6
EV/EBITDA	24.1	42.8	77.1	28.8	18.5
Adjusted P/E	25.7	31.8	90.5	33.0	29.0
P/BV	5.1	5.2	1.9	1.7	1.6

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21P	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	77.4	84.1	74.8	75.0	75.0
Interest burden (PBT/EBIT)	159.2	226.3	289.2	257.0	241.0
EBIT margin (EBIT/Revenue)	23.2	16.7	6.6	17.3	18.8
Asset turnover (Rev./Avg TA)	56.4	37.3	24.0	19.4	20.0
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.2	1.2	1.2
Adjusted ROAE	23.8	16.8	4.2	7.5	7.9

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21P	FY22E	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	6.9	(29.2)	4.2	17.1	11.8
EBITDA	19.2	(43.3)	(44.3)	121.5	19.3
Adjusted EPS	31.6	(19.2)	(64.9)	174.3	13.7
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	28.6	22.9	12.3	23.2	24.8
EBIT margin	23.2	16.7	6.6	17.3	18.8
Adjusted profit margin	28.6	31.7	14.2	33.4	33.9
Adjusted ROAE	23.8	16.8	4.2	7.5	7.9
ROCE	10.2	5.7	2.1	6.4	15.5
<b>Working capital days (days)</b>					
Receivables	0	0	0	0	0
Inventory	0	0	0	0	0
Payables	46	47	37	40	42
<b>Ratios (x)</b>					
Gross asset turnover	9.7	12.2	13.0	12.7	13.6
Current ratio	0.2	0.3	5.4	5.3	5.4
Net interest coverage ratio	0.0	0.0	0.0	0.0	0.0
Adjusted debt/equity	0.0	0.0	(0.6)	(0.7)	(0.7)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

## 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

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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