

**BUY**

TP: Rs 1,190 | ▲ 37%

**JUST DIAL**

| Technology & Internet

| 21 October 2021

**Strategic refresh post Reliance takeover awaited**

- Disappointing Q2 with revenue contracting 6.9% YoY and miss on margins
- EBITDA margin down 16ppt YoY to 10.2% due to wage hikes and pickup in hiring. Employee cost to remain high
- We cut FY22/FY23 EPS by 16-17% on increased spending post RRVL takeover. TP revised to Rs 1,190 (vs. Rs 1,330) – retain BUY

Ruchi Burde | Seema Nayak  
researchreport@bobcaps.in

**Miss on revenue and margins:** JUST’s Q2FY22 revenue at Rs 1.6bn declined 7% YoY vs. our estimate of 3.5% growth, while EBITDA margin came in at 10.2% vs. 20.2% expected, shrinking 16ppt YoY. The revenue decline stemmed from weakness in paid suppliers (-4% YoY) and also lower revenue per supplier (-4% YoY), even as traffic picked up modestly (+8% YoY). The miss on margins stemmed from a higher wage bill post increments to employees after a year without wage hikes, and also fresh hiring as JUST augmented its technology team. The company plans to roll out new product initiatives and appoint dedicated heads for each initiative.

**Deferred revenue growth a positive:** Deferred revenue grew 19.6% YoY (+8.7% QoQ), the highest since the pandemic began, and was the one bright spot in Q2, indicating recovery in coming quarters. Paying suppliers numbered 430,720, 20% below the pre-pandemic Mar’20 quarter, though management is confident of bringing monetisation levels back to normal over a quarter or two.

**RRVL stake acquisition completed; strategic refresh awaited:** Reliance Retail Ventures (RRVL) now holds 67% stake in JUST and overall promoter group holding now stands at 77.7%. Post-acquisition, RRVL has reshuffled the board of directors and reprioritised capital allocation towards growth initiatives over redistribution to shareholders. Management also hinted at increased spending to fast-track new initiatives such as JD Mart, JD Expert, content enrichment or new category features enabling transactions. However, the company offered limited clarity on a comprehensive strategic plan to unlock synergies with Reliance’s digital ecosystem.

**Reiterate BUY:** We cut our FY22/FY23/FY24 EPS estimates by 17%/16%/7% as we trim operating margin assumptions to factor in increased spending intensity going ahead. However, we maintain BUY as we believe the Reliance Industries’ parentage brings in a differentiated advantage and enables new possibilities for JUST. We retain our target one-year forward P/E of 34.4x, a 25% premium to the post pandemic average multiple to account for the strong parent backing. On rollover, we have a revised Sep’22 TP of Rs 1,190 (vs. Rs 1,330) which includes a value of Rs 180/sh for JD Mart. BUY.

**Key changes**

Target	Rating
▼	◀ ▶

Ticker/Price	JUST IN/Rs 867
Market cap	US\$ 715.9mn
Free float	66%
3M ADV	US\$ 11.3mn
52wk high/low	Rs 1,138/Rs 531
Promoter/FPI/DII	34%/40%/26%

Source: NSE | Price as of 21 Oct 2021

**Key financials**

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	6,752	6,718	7,801
EBITDA (Rs mn)	1,549	456	1,288
Adj. net profit (Rs mn)	2,142	818	2,261
Adj. EPS (Rs)	33.8	9.9	27.3
Consensus EPS (Rs)	33.8	23.7	40.7
Adj. ROAE (%)	16.8	3.4	6.2
Adj. P/E (x)	25.7	87.8	31.8
EV/EBITDA (x)	35.5	120.9	33.0
Adj. EPS growth (%)	(19.2)	(70.7)	176.3

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



## Earning call highlights

- RRVL has taken control of the board from Sep'22. The board has 11 directors – out of which 6 are recently appointed (5 non-independent and 1 independent director).
- Paid campaigns declined post pandemic due to a lack of feet-on-street, especially in tier-I cities. Management expects to quickly regain lost ground in tier-I markets.
- JUST spent only Rs 20mn on advertisement in Q2FY22. Advertisement spend is expected to bounce back in line with new initiatives and product launches in FY22, reaching Rs 2b-3bn by the year-end.
- The company is hiring a dedicated marketing team and senior developers to nurture strategic upcoming initiatives.

**Fig 1 – Quarterly performance**

(Rs mn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	H1FY22	H1FY21	YoY (%)
Revenue	1,560	1,675	(6.9)	1,654	(5.7)	3,214	3,300	0.0
Operating Expenditure	1,400	1,228	14.0	1,826	(23.3)	3,226	2,478	0.3
Cost of revenues	1,188	1,061	11.9	1,121	6.0	2,309	2,139	0.1
as % of sales	76.1	63.3	-	67.8	-	71.8	64.8	-
SG&A expenses	213	167	27.1	705	(69.8)	918	339	1.7
as % of sales	13.6	10.0	-	42.6	-	28.5	10.3	-
EBITDA	160	447	(64.3)	(172)	(193.0)	(12)	822	(1.0)
Depreciation	72	108	(33.6)	85	(15.9)	157	224	(0.3)
<b>EBIT</b>	<b>88</b>	<b>339</b>	<b>(74.0)</b>	<b>(257)</b>	<b>(134.4)</b>	<b>(169)</b>	<b>598</b>	<b>(1.3)</b>
Other Income	356	267	33.5	228	56.2	584	1036	(0.4)
Finance cost	16	25	-	15	-	31	40	(0.2)
PBT	428	580	(26.2)	(44)	(1,075.8)	384	1593	(0.8)
Total Tax	99	107	(7.6)	(9)	(1,235.6)	90	286	(0.7)
<b>Adjusted PAT</b>	<b>330</b>	<b>474</b>	<b>(30.4)</b>	<b>(35)</b>	<b>(1,036.3)</b>	<b>294</b>	<b>1307</b>	<b>(0.8)</b>
(Profit)/loss from JV's/Ass/MI	0	0	-	0	-	0	0	-
APAT after MI	330	474	(30.4)	(35)	(1,036.3)	294	1307	(0.8)
Reported EPS	4.7	7.4	(36.2)	(0.6)	(929.8)	4.1	20.0	(0.8)
<b>Margins (%)</b>			<b>(bps)</b>		<b>(bps)</b>			<b>(bps)</b>
EBITDA	10.2	26.7	(1,640)	(10.39)	2,060	(0.4)	24.9	2,530
EBIT	5.7	20.2	(1,460)	(15.53)	2,120	(5.2)	18.1	2,340
EBT	27.5	34.6	(720)	(2.65)	3,010	12.0	48.3	3,630
PAT	21.1	28.3	(710)	(2.13)	2,330	9.2	39.6	3,040
Effective Tax rate	23.1	18.4	460	19.82	320	23.4	18.0	(550)

Source: Company, BOBCAPS Research

## Valuation methodology

We expect higher spending on growth initiatives post the RRVL stake acquisition along with the attendant increase in employee and advertisement costs. We thus build in lower operating margins and cut our FY22/FY23/FY24 EPS estimates by 17%/16%/7%. Our target one-year forward P/E remains at 34.4x, a 25% premium to the post pandemic average multiple to account for the strong parent backing.

On rollover, we have a revised Sep'22 TP of Rs 1,190 (vs. Rs 1,330 before), which includes a value of Rs 180/sh for JD Mart. In our view, the Reliance Industries' parentage brings in a differentiated advantage and enables new possibilities for JUST – we thus retain our BUY rating.

**Fig 2 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenues	6,718	7,801	8,759	7,032	8,234	9,208	(4.5)	(5.3)	(4.9)
YoY growth (%)	(0.5)	16.1	12.3	4.2	17.1	11.8	-	-	-
EBITDA	456	1,288	1,967	863	1,912	2,281	(47.1)	(32.6)	(13.7)
EBITDA margin (%)	6.8	16.5	22.5	12.3	23.2	24.8	-	-	-
Net profits	818	2,261	2,845	1,002	2,749	3,125	(18.3)	(17.8)	(8.9)
EPS (Rs)	9.9	27.3	34.3	11.8	32.5	36.9	(16.7)	(16.1)	(7.1)

Source: BOBCAPS Research

**Fig 3 – Key assumptions**

Parameter	FY21	FY22E	FY23E	FY24E
Revenue (Rs mn)	6,752	6,718	7,801	8,759
YoY growth (%)	(29.2)	(0.5)	16.1	12.3
EBITDA margin (%)	22.9	6.8	16.5	22.5

Source: Company, BOBCAPS Research

**Fig 4 – Peer comparison**

Company	Ticker	Price (Rs/sh)	Mcap (Rs mn)	Rating	Target Price (Rs)	Revenue CAGR FY21-24E (%)	EPS CAGR FY21-24E (%)	PE (x)		ROE (%)		
								FY22E	FY23E	FY21	FY22E	FY23E
IndiaMart	INMART	7180.2	218,278	HOLD	8,320	21.1	17.9	64	53	30.3	19.4	19.6
Affle India	AFFLE	4179.6	111,595	BUY	1,240	42.6	32.5	340	224	37.6	14.6	18.1
Just Dial	JUST	958.3	59,223	BUY	1,190	9.1	(0.3)	97	35	16.8	3.4	6.2

Source: BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- synergies between JUST and Reliance taking longer than expected to materialise,
- JD Mart failing to take off despite the cash infusion, and
- weak MSME health post the second Covid wave.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Affle (India)	AFFLE IN	0.4	1,154	1,240	BUY
Coforge	COFORGE IN	4.5	5,448	6,930	BUY
eClerx Services	ECLX IN	1.0	2,050	2,880	BUY
HCL Technologies	HCLT IN	43.9	1,211	1,440	BUY
IndiaMart InterMesh	INMART IN	3.5	8,574	8,430	HOLD
Infosys	INFO IN	99.7	1,754	2,000	BUY
Just Dial	JUST IN	0.7	867	1,190	BUY
L&T Infotech	LTI IN	15.6	6,653	7,980	BUY
Mindtree	MTCL IN	9.8	4,475	3,390	SELL
Mphasis	MPHL IN	8.4	3,396	3,530	HOLD
Persistent Systems	PSYS IN	4.3	4,037	3,560	HOLD
Tata Consultancy Services	TCS IN	177.1	3,533	4,630	BUY
Tech Mahindra	TECHM IN	17.8	1,524	1,660	BUY
Wipro	WPRO IN	51.4	696	840	BUY

Source: BOBCAPS Research, NSE | Price as of 21 Oct 2021

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Total revenue</b>	<b>9,531</b>	<b>6,752</b>	<b>6,718</b>	<b>7,801</b>	<b>8,759</b>
EBITDA	2,729	1,549	456	1,288	1,967
Depreciation	520	423	367	486	552
EBIT	2,209	1,125	90	802	1,415
Net interest inc./(exp.)	(89)	(74)	(62)	(63)	(63)
Other inc./(exp.)	1,397	1,495	1,056	2,276	2,442
Exceptional items	0	0	0	0	0
EBT	3,517	2,547	1,083	3,014	3,794
Income taxes	793	405	265	754	948
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>818</b>	<b>2,261</b>	<b>2,845</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>2,724</b>	<b>2,142</b>	<b>818</b>	<b>2,261</b>	<b>2,845</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	0	0	0	0	0
Other current liabilities	732	608	607	705	792
Provisions	90	139	138	160	180
Debt funds	764	630	630	630	630
Other liabilities	3,858	3,845	3,757	4,321	4,819
Equity capital	649	619	831	831	831
Reserves & surplus	12,228	12,022	34,277	36,538	39,383
Shareholders' fund	12,877	12,641	35,108	37,368	40,214
<b>Total liab. and equities</b>	<b>18,321</b>	<b>17,861</b>	<b>40,239</b>	<b>43,184</b>	<b>46,635</b>
Cash and cash eq.	396	608	22,812	25,575	28,922
Accounts receivables	0	0	0	0	0
Inventories	0	0	0	0	0
Other current assets	679	746	736	855	960
Investments	15,523	15,118	15,118	15,118	15,118
Net fixed assets	637	466	649	713	711
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>40,239</b>	<b>43,184</b>	<b>46,635</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Cash flow from operations</b>	<b>1,464</b>	<b>1,263</b>	<b>112</b>	<b>1,100</b>	<b>1,519</b>
Capital expenditures	(21)	(252)	(550)	(550)	(550)
Change in investments	(1,475)	0	0	0	0
Other investing cash flows	227	1,421	993	2,213	2,378
<b>Cash flow from investing</b>	<b>(1,269)</b>	<b>1,169</b>	<b>443</b>	<b>1,663</b>	<b>1,828</b>
Equities issued/Others	(10)	(2,220)	21,649	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(2,999)	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>(3,008)</b>	<b>(2,220)</b>	<b>21,649</b>	<b>0</b>	<b>0</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(2,813)</b>	<b>212</b>	<b>22,205</b>	<b>2,762</b>	<b>3,347</b>
<b>Closing cash &amp; cash eq.</b>	<b>(2,407)</b>	<b>608</b>	<b>22,812</b>	<b>25,575</b>	<b>28,922</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	41.8	33.8	9.9	27.3	34.3
Adjusted EPS	41.8	33.8	9.9	27.3	34.3
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	208.3	204.5	567.9	604.4	650.5

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	5.6	8.1	8.2	5.4	3.4
EV/EBITDA	19.5	35.5	120.9	33.0	15.3
Adjusted P/E	20.7	25.7	87.8	31.8	25.2
P/BV	4.2	4.2	1.5	1.4	1.3

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	77.4	84.1	75.6	75.0	75.0
Interest burden (PBT/EBIT)	159.2	226.3	1207.0	375.9	268.0
EBIT margin (EBIT/Revenue)	23.2	16.7	1.3	10.3	16.2
Asset turnover (Rev./Avg TA)	56.4	37.3	23.1	18.7	19.5
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.2	1.2	1.2
Adjusted ROAE	23.8	16.8	3.4	6.2	7.3

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	6.9	(29.2)	(0.5)	16.1	12.3
EBITDA	19.2	(43.3)	(70.5)	182.2	52.8
Adjusted EPS	31.6	(19.2)	(70.7)	176.3	25.9
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	28.6	22.9	6.8	16.5	22.5
EBIT margin	23.2	16.7	1.3	10.3	16.2
Adjusted profit margin	28.6	31.7	12.2	29.0	32.5
Adjusted ROAE	23.8	16.8	3.4	6.2	7.3
ROCE	10.2	5.7	0.4	3.6	12.7
<b>Working capital days (days)</b>					
Receivables	0	0	0	0	0
Inventory	0	0	0	0	0
Payables	46	47	35	37	40
<b>Ratios (x)</b>					
Gross asset turnover	9.7	12.2	12.0	11.4	12.3
Current ratio	0.2	0.3	5.6	5.4	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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