

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)
EBIT	88	339	(74.0)	(257)	(134.4)	(169)	598	(1.3)
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)
Adjusted PAT	330	474	(30.4)	(35)	(1,036.3)	294	1307	(0.8)
(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)
Margins (%)			(bps)		(bps)			(bps)
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
Total revenue	9,531	6,752	6,718	7,801	8,759
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
Reported net profit	2,724	2,142	818	2,261	2,845
Adjustments	0	0	0	0	0
Adjusted net profit	2,724	2,142	818	2,261	2,845

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
Total liab. and equities	18,321	17,861	40,239	43,184	46,635
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
Total assets	18,322	17,861	40,239	43,184	46,635

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash flow from operations	1,464	1,263	112	1,100	1,519
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
Cash flow from investing	(1,269)	1,169	443	1,663	1,828
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
Cash flow from financing	(3,008)	(2,220)	21,649	0	0
Chg in cash & cash eq.	(2,813)	212	22,205	2,762	3,347
Closing cash & cash eq.	(2,407)	608	22,812	25,575	28,922

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
YoY growth (%)					
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
Profitability & Return ratios (%)					
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
Working capital days (days)					
Receivables	0	0	0	0	0
Inventory	0	0	0	0	0
Payables	46	47	35	37	40
Ratios (x)					
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.

Ratings and Target Price (3-year history): JUST DIAL (JUST IN)



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

Rating distribution

As of 30 September 2021, out of 105 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 48 have BUY ratings, 25 have HOLD ratings, 10 are rated ADD*, 2 are rated REDUCE* and 20 are rated SELL. None of these companies have been investment banking clients in the last 12 months. (*Our ADD and REDUCE ratings are in the process of being migrated to the new recommendation structure.)

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.