

BUY

TP: Rs 990 | ▲ 21%

JUST DIAL

Technology & Internet

20 January 2022

Disappointing Q3; Maintain BUY on RRVL led synergy potential

- Just Dial (JUST) reported revenue growth of mere 1.9% QoQ-far below estimates, dragged by impact on SMEs from covid waves
- EBITDA margin stood at 3.3%, down 7pps QoQ, below our estimate of 15.2% due to rising employee and SG&A costs
- We cut our FY23/24 EPS by ~27% given the significant estimate miss in Q3. Maintain BUY on potential synergy from RRVL's digital prowess

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Underperformance on all counts: JUST reported growth of 1.9% QoQ and -6.3% YoY, significantly underperforming our estimate of 9.3% QoQ. The growth was affected by YoY de-growth of 3.6% in paid campaigns and total business listings growing by only 4% YoY in Q3, which is due to impact on SMEs from successive covid waves.

EBITDA margin stood at a mere 3.3%, down 7pps QoQ, significantly below our estimate of 15.2%. This came on the back of lower growth, rising employee cost (up 9.1% QoQ; 16.1% YoY). SG&A expenses were also up 13.2% QoQ. JUST hired 1250 employees in sales in Q3FY22. Advertisement expenses stood at Rs35mn in Q3. Other income also declined 19.8% QoQ. PAT margin was at 12.2%, down 8.9pps QoQ.

Few positives: Among the few positives in Q3FY22 results were: the steady growth of unique visitors (~8% YoY in Q3; same as in Q2) and the deferred revenue growth at a decent 6.8% YoY, although lower than 19.6% in Q2FY22.

Strategic outlook post RRVL acquisition: Management is focused on bringing back the growth in its core business which has been affected due to 1st and 2nd covid waves and drive strong growth from new initiatives as well. On the new initiatives (JD Mart, JD Apps, JD experts), JD experts (an Urban Company like platform) have added new product categories (e.g. pest control) which are in beta phase of testing. In JD Mart, content work is ongoing and transaction layer is being added. JD Mart also offers solutions like: real time dashboard, lead management and logistics integration. The management also indicated a foray into real estate business (with features possibly similar to 99acres) in near future.

Lowering estimates; maintain BUY: Although there has been no change yet post RRVL's acquisition, we maintain BUY on the potential from new initiatives and RRVL synergy. We cut FY23/24 EPS by 26.6%/27.5%, factoring in core business deterioration, lower margin and disappointing Q3FY22 results.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	JUST IN/Rs 815
Market cap	US\$ 677.5mn
Free float	66%
3M ADV	US\$ 10.8mn
52wk high/low	Rs 1,138/Rs 563
Promoter/FPI/DII	34%/40%/26%

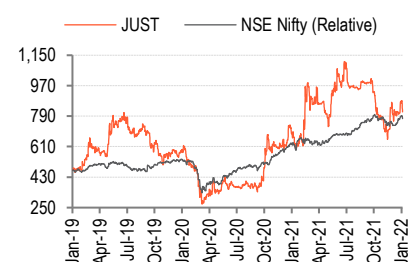
Source: NSE | Price as of 19 Jan 2022

Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	6,752	6,548	7,278
EBITDA (Rs mn)	1,549	168	523
Adj. net profit (Rs mn)	2,142	666	1,659
Adj. EPS (Rs)	33.8	8.0	20.0
Consensus EPS (Rs)	33.8	23.7	40.7
Adj. ROAE (%)	16.8	2.8	4.6
Adj. P/E (x)	24.2	101.4	40.7
EV/EBITDA (x)	33.4	310.3	75.4
Adj. EPS growth (%)	(19.2)	(76.2)	149.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly Performance

(Rs mn)	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	9MFY21	9MFY22	YoY (%)
Revenue	1,589	1,695	(6.3)	1,560	1.9	4,995	4,803	0.0
Operating Expenditure	1,537	1,314	17.0	1,400	9.7	3,792	4,763	0.3
Cost of revenues	1,296	1,117	16.1	1188	9.1	3,256	3,605	0.1
as % of sales	81.6	65.9	-	76.1	-	65.2	75.1	-
SG&A expenses	241	197	22.0	213	13.2	536	1,158	1.2
as % of sales	15.1	11.6	-	13.6	-	10.7	24.1	-
EBITDA	52	382	(86.3)	160	(67.3)	1203	40	(1.0)
Depreciation	73	105	(30.6)	72	1.5	329	229	(0.3)
EBIT	(20)	277	(107.3)	88	(123.0)	874	(189)	(1.2)
Other Income	286	304	(6.0)	356	(19.8)	1340	869	(0.4)
Finance cost	21	16	-	16	-	56	52	(0.1)
PBT	244	564	(56.7)	428	(43.0)	2157	629	(0.7)
Total Tax	50	65	(23.0)	99	(49.4)	351	140	(0.6)
Adjusted PAT	194	499	(61.1)	330	(41.1)	1,806	489	(0.7)
(Profit)/loss from JV's/Ass/MI	0	0	-	0		0	0	-
APAT after MI	194	499	(61.1)	330	(41.1)	1806	489	(0.7)
Reported EPS	2.3	8.1	(71.7)	4.7	(51.6)	27.9	6.4	(0.8)
Margins (%)			bps		bps			bps
EBITDA	3.3	22.5	(1,920)	10.24	(700)	24.1	0.8	2,330
EBIT	(1.3)	16.3	(1,760)	5.66	(690)	17.5	(3.9)	2,140
EBT	15.4	33.3	(1,790)	27.46	(1,210)	43.2	13.1	3,010
PAT	12.2	29.5	(1,720)	21.13	(890)	36.2	10.2	2,600
Effective Tax rate	20.5	11.5	900	23.06	(260)	16.3	22.3	(600)

Source: BOBCAPS Research, Company

Valuation methodology

We expect higher spending on growth initiatives post the RRVL stake acquisition along with the increase in employee and advertisement costs. Factoring in Q3FY22 results and delayed strategic fillip from RRVL parentage, we cut our FY22/FY23/FY24 EPS estimates by 18.6%/26.6%/27.5%. 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 Dec'22 TP of Rs 990 (vs. Rs 1,190 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	6,548	7,278	8,228	6,718	7,801	8,759	(2.5)	(6.7)	(6.1)
YoY growth (%)	(3.0)	11.1	13.0	(0.5)	16.1	12.3	-	-	-
EBITDA	168	523	1,009	456	1,288	1,967	(63.3)	(59.4)	(48.7)
EBITDA margin (%)	2.6	7.2	12.3	6.8	16.5	22.5	-	-	-
Net profits	666	1,659	2,063	818	2,261	2,845	(18.6)	(26.6)	(27.5)
EPS (Rs)	8.0	20.0	24.9	9.9	27.3	34.3	(18.6)	(26.6)	(27.5)

Source: BOBCAPS Research

Fig 3 – Key assumptions

Parameter	FY21	FY22E	FY23E	FY24E
Total income	6,752	6,548	7,278	8,228
YoY growth (%)	(29.2)	(3.0)	11.1	13.0
EBITDA Margin (%)	22.9	2.6	7.2	12.3

Source: Company, BOBCAPS Research

Fig 4 – Peer comparison

Company	Price (Rs/sh)	Mcap (Rs mn)	Rating	Target Price (Rs)	Revenue CAGR FY21-24E (%)	EPS CAGR FY21-24E (%)	PE (x)		RoE (%)		
							FY22	FY23	FY21	FY22	FY23
Info Edge	5017	646,071	BUY	7,700	24.3	39.7	9	121	7.8	6.2	5.2
IndiaMart	6411	194,893	BUY	8,430	21.5	18.4	56	47	30.3	19.6	19.8
Affle India	1388	37,069	BUY	1,390	51.8	35.9	114	72	37.6	14.5	18.7
Just Dial	813	50,243	BUY	990	6.8	(10.4)	101	41	16.8	2.8	4.6

Source: BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- Execution delay in ramping up new initiatives
- Sluggish performance of core business
- Continued margin erosion

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Affle (India)	AFFLE IN	0.5	1,388	1,390	BUY
IndiaMart InterMesh	INMART IN	2.6	6,412	8,430	BUY
Info Edge	INFOE IN	8.7	5,017	7,700	BUY
Just Dial	JUST IN	0.7	815	990	BUY

Source: BOBCAPS Research, NSE | Price as of 19 Jan 2022

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total revenue	9,531	6,752	6,548	7,278	8,228
EBITDA	2,729	1,549	168	523	1,009
Depreciation	520	423	334	486	552
EBIT	2,209	1,125	(167)	37	457
Net interest inc./(exp.)	(89)	(74)	(73)	(84)	(84)
Other inc./(exp.)	1,397	1,495	1,105	2,259	2,378
Exceptional items	0	0	0	0	0
EBT	3,517	2,547	866	2,213	2,751
Income taxes	793	405	199	553	688
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	2,724	2,142	666	1,659	2,063
Adjustments	0	0	0	0	0
Adjusted net profit	2,724	2,142	666	1,659	2,063

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	592	658	744
Provisions	90	139	135	150	169
Debt funds	764	630	630	630	630
Other liabilities	3,858	3,845	3,668	4,048	4,543
Equity capital	649	619	831	831	831
Reserves & surplus	12,228	12,022	34,125	35,784	37,848
Shareholders' fund	12,877	12,641	34,956	36,615	38,678
Total liab. and equities	18,321	17,861	39,980	42,101	44,764
Cash and cash eq.	396	608	22,540	24,516	27,077
Accounts receivables	0	0	0	0	0
Inventories	0	0	0	0	0
Other current assets	679	746	718	798	902
Investments	15,523	15,118	15,118	15,118	15,118
Net fixed assets	637	466	682	746	744
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	39,980	42,101	44,764

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash flow from operations	1,464	1,263	(200)	351	817
Capital expenditures	(21)	(252)	(550)	(550)	(550)
Change in investments	(1,475)	0	0	0	0
Other investing cash flows	227	1,421	1,032	2,175	2,294
Cash flow from investing	(1,269)	1,169	482	1,625	1,744
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	21,932	1,976	2,561
Closing cash & cash eq.	(2,407)	608	22,540	24,516	27,077

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	41.8	33.8	8.0	20.0	24.9
Adjusted EPS	41.8	33.8	8.0	20.0	24.9
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	208.3	204.5	565.4	592.3	625.6

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	5.2	7.7	7.9	5.4	3.3
EV/EBITDA	18.3	33.4	310.3	75.4	27.2
Adjusted P/E	19.5	24.2	101.4	40.7	32.7
P/BV	3.9	4.0	1.4	1.4	1.3

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	77.4	84.1	77.0	75.0	75.0
Interest burden (PBT/EBIT)	159.2	226.3	(518.8)	5949.3	601.8
EBIT margin (EBIT/Revenue)	23.2	16.7	(2.5)	0.5	5.6
Asset turnover (Rev./Avg TA)	56.4	37.3	22.6	17.7	18.9
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.2	1.1	1.2
Adjusted ROAE	23.8	16.8	2.8	4.6	5.5

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	6.9	(29.2)	(3.0)	11.1	13.0
EBITDA	19.2	(43.3)	(89.2)	212.2	92.9
Adjusted EPS	31.6	(19.2)	(76.2)	149.1	24.3
Profitability & Return ratios (%)					
EBITDA margin	28.6	22.9	2.6	7.2	12.3
EBIT margin	23.2	16.7	(2.5)	0.5	5.6
Adjusted profit margin	28.6	31.7	10.2	22.8	25.1
Adjusted ROAE	23.8	16.8	2.8	4.6	5.5
ROCE	10.2	5.7	(0.8)	0.2	4.1
Working capital days (days)					
Receivables	0	0	0	0	0
Inventory	0	0	0	0	0
Payables	46	47	34	34	35
Ratios (x)					
Gross asset turnover	9.7	12.2	11.4	10.2	11.0
Current ratio	0.2	0.3	5.6	5.5	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)



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