

Margin drives EBITDA beat, subscription trends a concern

Just Dial's accelerated margin recovery towards pre-Covid levels continued as it reported the 7th consecutive quarter of sequential margin expansion, a cumulative improvement of 26.5ppts. In 3QFY24, margin improved 4.1ppts QoQ (+10.5ppts YoY) to 22.8%, a beat on Cons/JMFe by c.250bps/280bps, on the back of strong cost control. Revenue growth was also decent at 19.7% YoY (1.7% QoQ), albeit it missed JMFe/Cons. by 1.3%/1.8%. However, paid subscriber additions (+8.6% YoY), cash collections (+10% YoY) and unique visitor traffic (+5.8% YoY) trends were not very encouraging. We believe this slow-down is partly due to focus on profitability and expect the management to re-focus on growth acceleration in the coming quarters. While the stock has seen 20%+ up-move since our upgrade ([Favourable risk-reward, upgrade to BUY](#)), valuation still remain compelling at 14x/10x FY25/26 ex-cash EPS.

- Decent revenue growth, but paid subscriber addition slows:** Consolidated revenue grew 19.7% YoY (+1.7% QoQ) to INR 2.65bn in 3QFY24, a marginal miss on JMFe by 1.3%. Growth was aided by both paid campaign growth (8.6% YoY) as well as increase in realisation (8.9% YoY). Net paid campaigns additions stood at 6.1k during the quarter (+12.6k/+18k in 2QFY24/3QFY23), resulting in paid campaigns going up to ~567k, a miss on JMFe by 3k. Average annualised realisation stood at INR 18.8k (9% YoY) roughly in line with JMFe. We expect the management to reiterate its focus on monetisation of B2B listings due to better realisation as well as relatively lower threat of disruption from verticals. Accordingly, we postulate the revenue share of B2B campaigns to increase significantly over the next 2-3 years, which would be the key driver of topline growth. We expect topline CAGR of 17.2% over FY23-FY26E, 1.7x of CAGR reported over FY15-FY20, partly aided by a low, Covid-affected base (revenue declined at a CAGR of 3.9% between FY20 and FY23).
- Accelerated margin expansion drives EBITDA beat:** Just Dial's EBITDA grew to INR 604mn (+122% YoY / +23.8% QoQ) in 3Q, a beat on JMFe by 12.3% on the back of decent revenue growth and strong cost control over employee costs and G&A expenses. As a result, EBITDA margin improved 10.5ppts YoY (+4.1ppts QoQ) to 22.8%, ahead of JMFe by 276bps. Better-than-expected operating profit and treasury income led to a PAT of INR 920mn, ahead of JMFe by 16.5%. Going ahead, while we expect company to refocus on growth, we see margin expanding to 25.3% by FY26, driven by improving sales productivity and scale-back of investments towards new initiatives.
- Maintain BUY, roll forward and earnings upgrade leads to TP of INR 1,010:** We raise our EBITDA estimates over FY24-26 by 7-11% and expect Just Dial's core PAT (i.e., ex-other income) to increase by ~5x from INR 0.4bn in FY23 to ~INR 2.1bn in FY26. We roll forward and value the stock basis 18x Mar'26 core business EPS + Cash to derive a Mar'25 TP of INR 1,010 (vs. INR 950 earlier).

Swapnil Potdukhe

swapnil.potdukhe@jmfl.com | Tel: (91 22) 62241876

Sachin Dixit

sachin.dixit@jmfl.com | Tel: (91 22) 66303078

Atul Borse

atul.borse@jmfl.com | Tel: (91 22) 66303134

Eksha Modi

eksha.modi@jmfl.com | Tel: (91 22) 66303054

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,010
Upside/(Downside)	15.7%
Previous Price Target	950
Change	6.3%

Key Data – JUST IN

Current Market Price	INR873
Market cap (bn)	INR74.2/US\$0.9
Free Float	25%
Shares in issue (mn)	84.3
Diluted share (mn)	85.0
3-mon avg daily val (mn)	INR286.7/US\$3.5
52-week range	944/565
Sensex/Nifty	72,568/21,895
INR/US\$	82.9

Price Performance

%	1M	6M	12M
Absolute	14.3	12.3	48.9
Relative*	9.5	1.2	23.0

* To the BSE Sensex

JM Financial Research is also available on:
 Bloomberg - JMFR <GO>,
 Thomson Publisher & Reuters,
 S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	6,470	8,448	10,437	11,921	13,596
Sales Growth (%)	-4.2	30.6	23.5	14.2	14.0
EBITDA	-22	857	2,108	2,968	3,437
EBITDA Margin (%)	-0.3	10.2	20.2	24.9	25.3
Adjusted Net Profit	708	1,627	3,311	3,938	4,440
Diluted EPS (INR)	9.3	19.1	38.9	46.3	52.2
Diluted EPS Growth (%)	-72.1	105.7	103.4	18.9	12.7
ROIC (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	3.0	4.5	8.6	9.4	9.6
P/E (x)	93.8	45.6	22.4	18.9	16.7
P/B (x)	1.9	2.0	1.9	1.7	1.5
EV/EBITDA (x)	-1,626.1	38.1	13.9	8.4	6.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 12/Jan/2024

Exhibit 1. Consolidated key financials

	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	Comments
Cons. revenues (INR mn)	2,214	2,325	8,448	2,470	2,606	2,651	<ul style="list-style-type: none"> Consol. revenue grew 19.7% YoY (+1.7% QoQ) to INR 2.65bn, a marginal miss on JMFe by 1.3%. Revenue growth was supported by paid campaigns growth of 8.6% YoY and avg. realisations growth of 8.9% YoY.
Total operating expense	1,942	1,993	7,590	2,103	2,118	2,047	
Operating profit (EBITDA)	272	332	857	367	488	604	
Operating margin	12.3%	14.3%	10.2%	14.9%	18.7%	22.8%	<ul style="list-style-type: none"> EBITDA margin expanded 10.5ppts YoY (+406 bps QoQ) to 22.8% ahead of JMFe by 276bps. Beat was on account of better-than estimated operating leverage led by robust growth and tight control over employee costs and G&A expenses.
Depreciation & amortization	85	90	322	100	122	121	
EBIT	187	242	536	267	366	483	<ul style="list-style-type: none"> Treasury income of INR 727mn was ahead of JMFe of INR 600mn. ETR stood at 23.9% ahead of JMFe of 22%.
EBIT margin	8.4%	10.4%	6.3%	10.8%	14.0%	18.2%	
Net other income	690	716	1,343	795	555	727	<ul style="list-style-type: none"> PAT of INR 920mn was c.17% ahead of JMFe. The beat was driven by better-than-expected operating profit as well as treasury income.
Profit before tax	877	958	1,878	1061	921	1,209	
Income tax expense	124	122	251	227	203	289	
Net income from operations	753	836	1,627	834	718	920	
Change (YoY)	288.5%	279.1%	129.7%	Na	37.6%	22.1%	
Adjusted diluted EPS	8.86	9.84	19.15	9.80	8.44	10.82	
Change (YoY)	287.0%	277.8%	105.7%	Na	37.5%	22.1%	

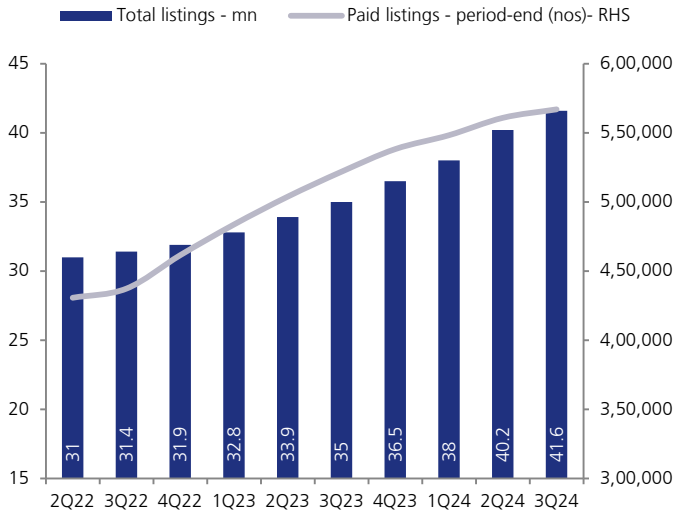
Source: Company, JM Financial

Exhibit 2. Key execution metrics

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	Comments
Total listings – mn	35.0	36.5	38.0	40.2	41.6	<ul style="list-style-type: none"> Total listings grew by 18.9% YoY to 41.6mn while paid campaigns grew 8.6% YoY to 566,955.
Change (YoY)	11.5%	14.4%	15.9%	18.6%	18.9%	
Paid listings - period-end (nos)	5,21,880	5,38,220	5,48,270	5,60,830	5,66,955	
Change (YoY)	19.3%	16.6%	13.4%	11.3%	8.6%	<ul style="list-style-type: none"> Employee headcount decreased by 6.3% sequentially (-9.3% YoY) to 13,954 in 3QFY24.
Paid listings - % of total listings	1.49%	1.47%	1.44%	1.40%	1.36%	
Avg. revenue per campaign	17,266	17,548	18,186	18,798	18,801	
Change (YoY)	17.9%	18.3%	15.8%	13.0%	8.9%	
Headcount	15,393	15,320	15,367	14,888	13,954	
Sales headcount	11,767	11,590	11,746	11,532	10,906	

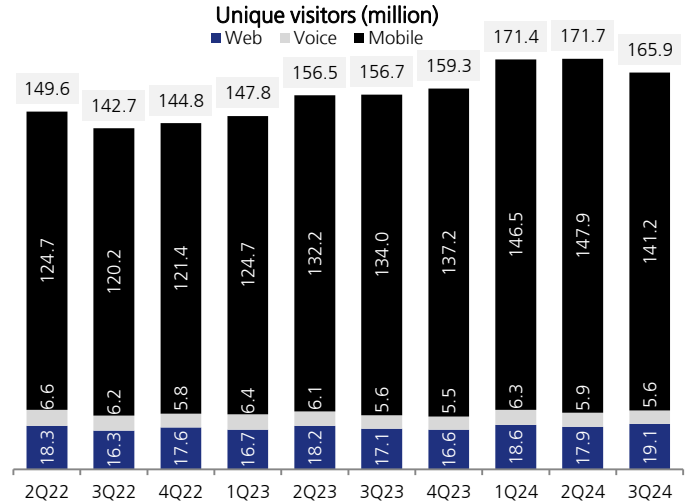
Source: Company, JM Financial

Exhibit 3. Period-end paid campaigns rose 8.6% YoY (+1.1% QoQ)



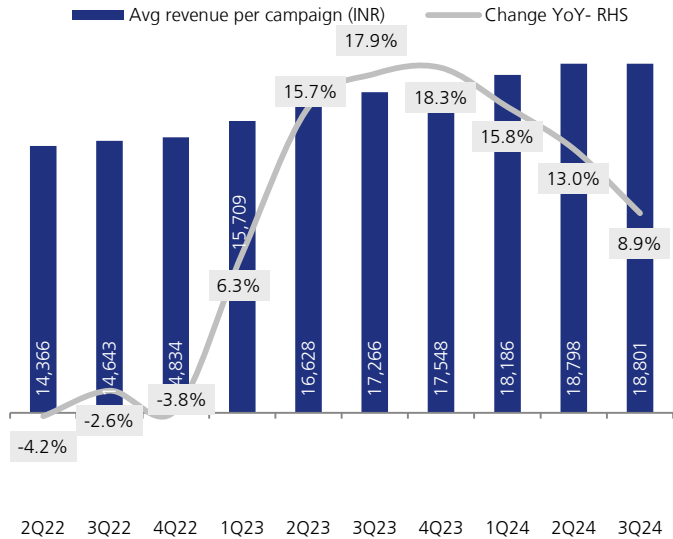
Source: Company, JM Financial

Exhibit 4. Quarterly unique visitor traffic was up 5.8% YoY (-4.5% QoQ)



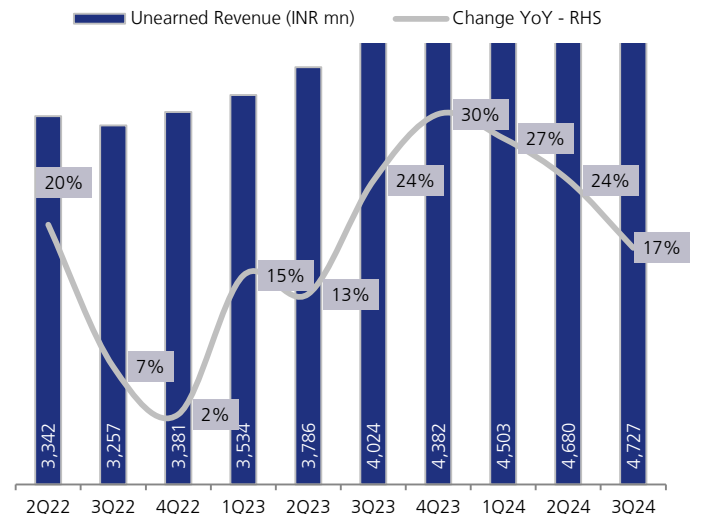
Source: Company, JM Financial

Exhibit 5. Avg. realisation was up ~9% YoY (flat QoQ) in 3QFY24



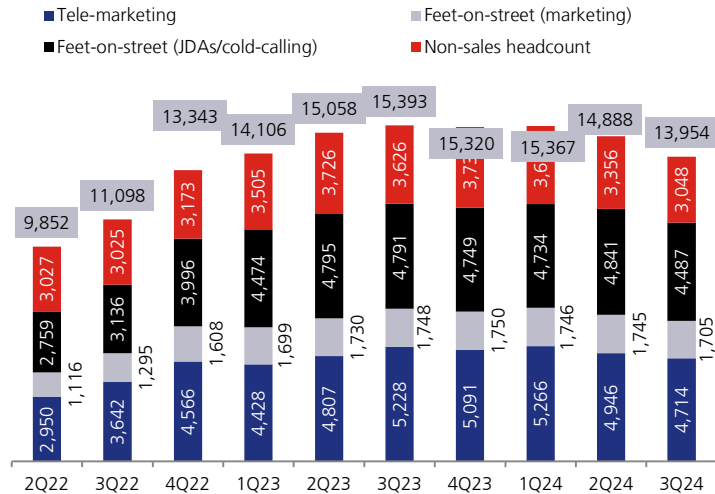
Source: Company, JM Financial

Exhibit 6. Unearned revenue was up 17.5% YoY (+1% QoQ) due to increase in collections, up 10% YoY (-3.1% QoQ)



Source: Company, JM Financial

Exhibit 7. Sales headcount decreased sequentially by 6.3% QoQ



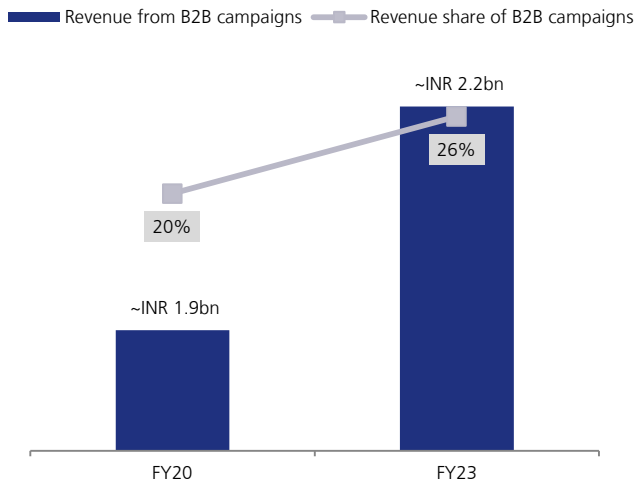
Source: Company, JM Financial

Exhibit 8. Paid listings per sales employees grew 6.9% sequentially



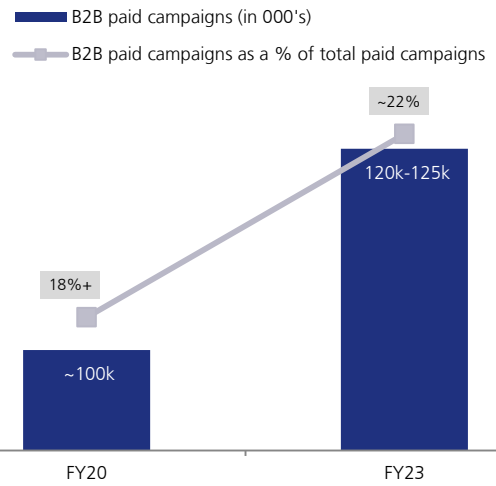
Source: Company, JM Financial

Exhibit 9. Revenue share from B2B campaigns has increased from c.20% in FY20 to ~26% in FY23



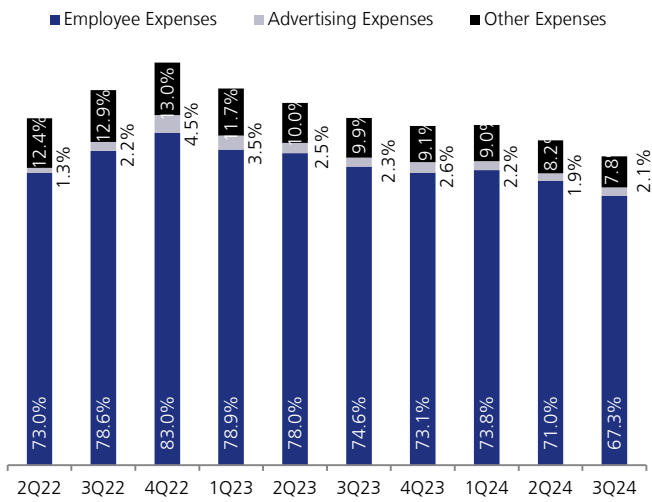
Source: Company, JM Financial Estimates

Exhibit 10. Share of B2B paid campaigns has increased from 18%+ in FY20 to ~22% in FY23



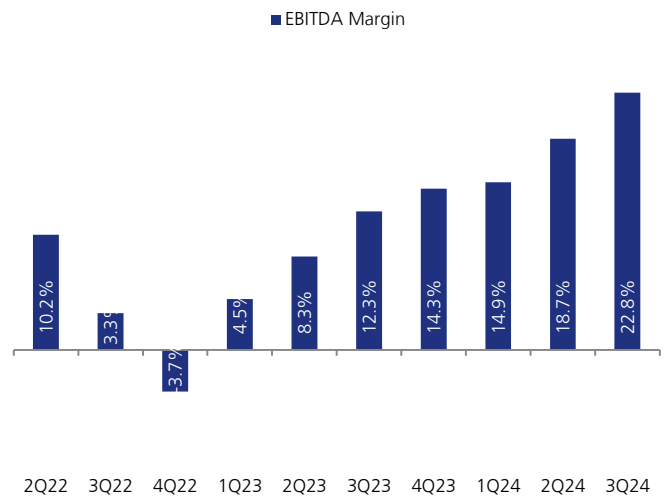
Source: Company, JM Financial

Exhibit 11. Operating expenses as a % of revenue declined from 86.7% in 3QFY23 to 77.2% in 3QFY24...



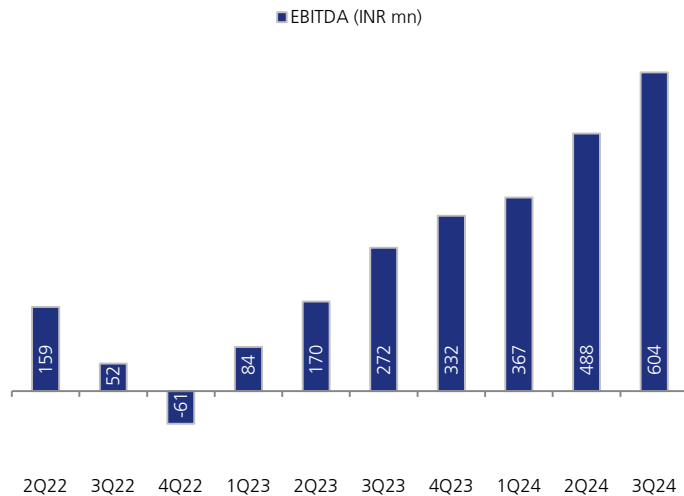
Source: Company, JM Financial estimates

Exhibit 12. ...due to which EBITDA margin expanded from 12.3% in 3QFY23 to 22.8% in 3QFY24



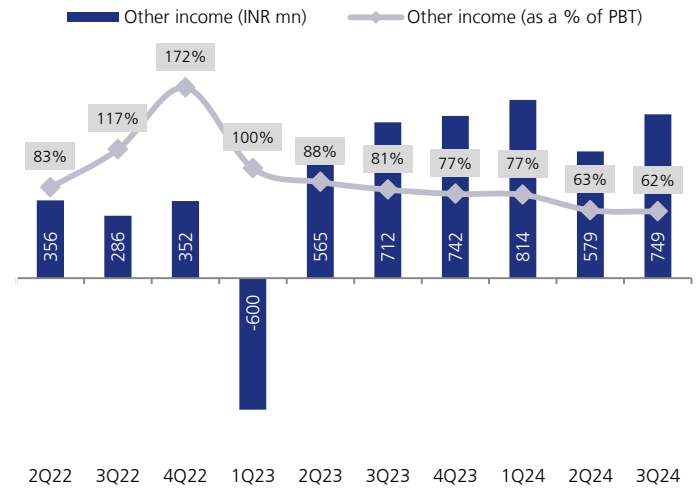
Source: Company, JM Financial

Exhibit 13. EBITDA in 3Q grew ~24% QoQ to reach INR 604mn



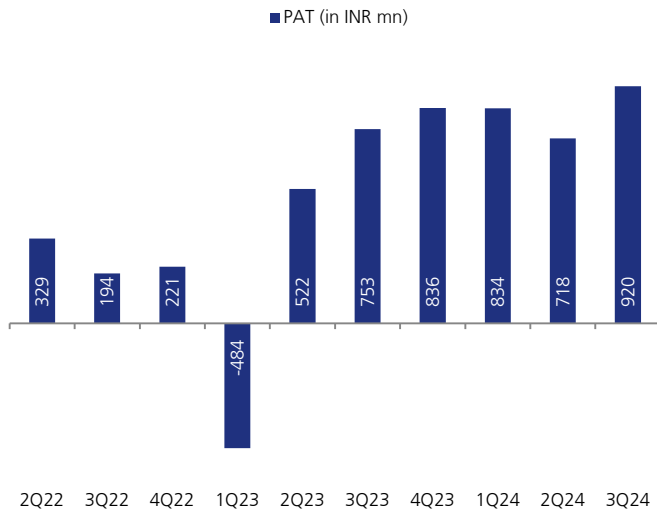
Source: Company, JM Financial

Exhibit 14. Other income increased ~29% QoQ to INR 749mn



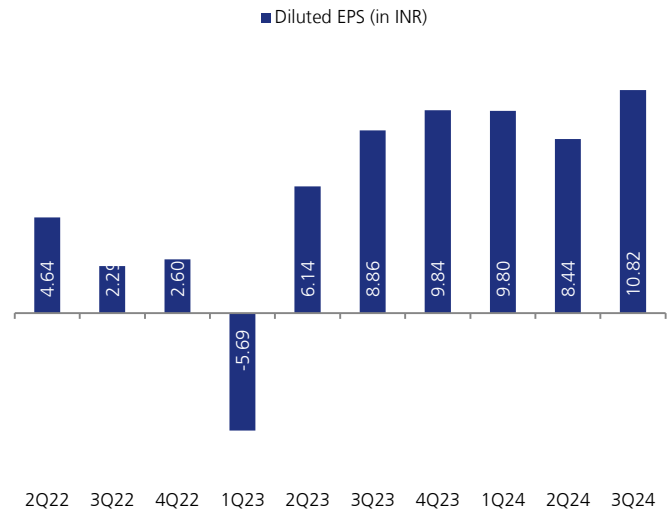
Source: Company, JM Financial

Exhibit 15. Reported PAT trend



Source: Company, JM Financial

Exhibit 16. Diluted EPS trend



Source: Company, JM Financial

Maintain BUY; TP raised to INR 1,010

Exhibit 17. What has changed in our forecasts and assumptions?

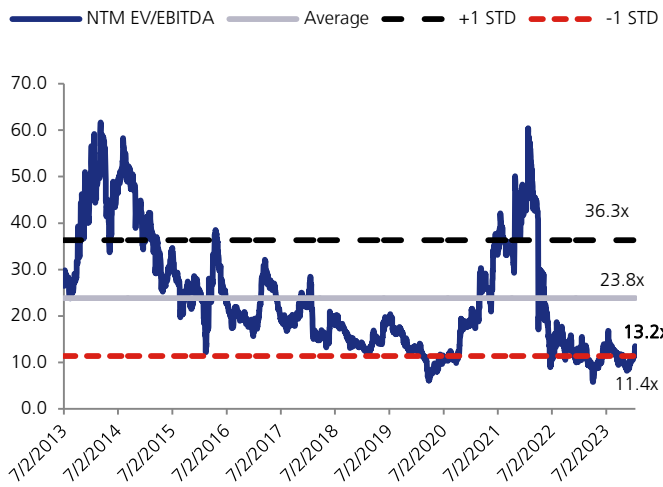
	Old			New			Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Consolidated revenue (INR mn)	10,531	12,001	13,598	10,437	11,921	13,596	-0.9%	-0.7%	0.0%
Revenue growth rate (YoY)	24.7%	14.0%	13.3%	23.5%	14.2%	14.0%	-112bp	27bp	74bp
EBITDA margin	18.7%	22.4%	23.6%	20.2%	24.9%	25.3%	154bp	254bp	169bp
EBITDA (INR mn)	1,966	2,683	3,208	2,108	2,968	3,437	7.3%	10.6%	7.1%
EBIT margin	14.1%	17.8%	19.2%	15.7%	20.5%	20.9%	158bp	265bp	169bp
EBIT (INR mn)	1,489	2,141	2,617	1,640	2,442	2,846	10.2%	14.1%	8.8%
PAT (INR mn)	3,156	3,810	4,357	3,311	3,938	4,440	4.9%	3.4%	1.9%
EPS	37.12	44.81	51.25	38.94	46.31	52.22	4.9%	3.4%	1.9%

Source: Company, JM Financial

Key Risks

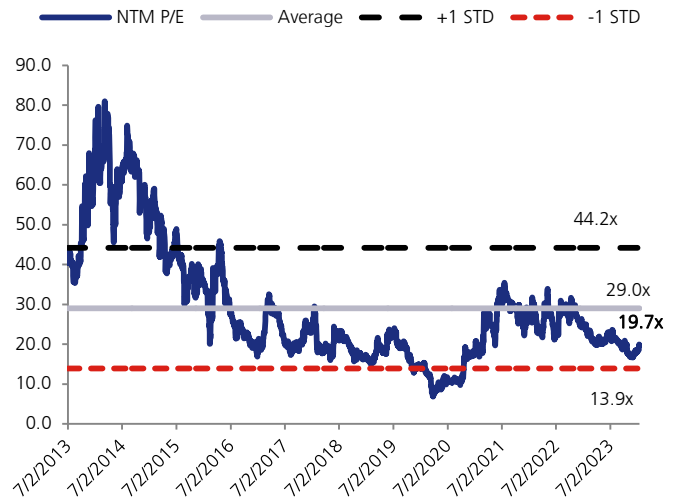
- **Key upside risks to our price target are:** (1) better-than-expected pick-up in the share of paid-listing; (2) higher-than-expected pricing growth in the core search segment; (3) any accretive acquisition not currently priced in.
- **Key downside risks are:** (1) significant market share loss to vertical focused classified players; (2) higher-than-expected pricing erosion due to penetration in Tier 2/3 cities; (3) higher-than-expected advertising spend adversely impacting margin performance. (4) Failure in executing new initiatives.

Exhibit 18. NTM EV/EBITDA Valuation Chart



Source: Bloomberg Consensus, JM Financial

Exhibit 19. NTM P/E Valuation Chart



Source: Bloomberg Consensus, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	6,470	8,448	10,437	11,921	13,596	
Sales Growth	-4.2%	30.6%	23.5%	14.2%	14.0%	
Other Operating Income	0	0	0	0	0	
Total Revenue	6,470	8,448	10,437	11,921	13,596	
Cost of Goods Sold/Op. Exp	0	0	0	0	0	
Personnel Cost	5,040	6,510	7,251	7,695	8,724	
Other Expenses	1,451	1,080	1,077	1,258	1,434	
EBITDA	-22	857	2,108	2,968	3,437	
EBITDA Margin	-0.3%	10.2%	20.2%	24.9%	25.3%	
EBITDA Growth	0.0%	0.0%	145.9%	40.8%	15.8%	
Depn. & Amort.	299	322	468	526	591	
EBIT	-320	536	1,640	2,442	2,846	
Other Income	1,153	1,343	2,655	2,739	2,996	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	833	1,878	4,296	5,181	5,842	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	833	1,878	4,296	5,181	5,842	
Taxes	125	251	984	1,244	1,402	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	708	1,627	3,311	3,938	4,440	
Adjusted Net Profit	708	1,627	3,311	3,938	4,440	
Net Margin	10.9%	19.3%	31.7%	33.0%	32.7%	
Diluted Share Cap. (mn)	76.1	85.0	85.0	85.0	85.0	
Diluted EPS (INR)	9.3	19.1	38.9	46.3	52.2	
Diluted EPS Growth	-72.1%	105.7%	103.4%	18.9%	12.7%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	-320	536	1,640	2,442	2,846	
Depn. & Amort.	299	322	468	526	591	
Net Interest Exp. / Inc. (-)	0	0	0	0	0	
Inc (-) / Dec in WCap.	234	1,016	370	807	367	
Others	216	95	13	30	30	
Taxes Paid	-37	-183	-984	-1,244	-1,402	
Operating Cash Flow	392	1,786	1,506	2,562	2,433	
Capex	-145	-497	-842	-892	-983	
Free Cash Flow	247	1,289	664	1,670	1,450	
Inc (-) / Dec in Investments	-21,947	-1,362	0	0	0	
Others	224	227	2,655	2,739	2,996	
Investing Cash Flow	-21,868	-1,632	1,813	1,847	2,013	
Inc / Dec (-) in Capital	21,658	8	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	-218	-239	0	0	0	
Others	-347	0	-13	-30	-30	
Financing Cash Flow	21,093	-231	-13	-30	-30	
Inc / Dec (-) in Cash	-383	-77	3,307	4,379	4,415	
Opening Cash Balance	615	233	156	3,475	7,884	
Closing Cash Balance	233	156	3,462	7,854	12,299	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	34,862	36,671	39,994	43,962	48,432	
Share Capital	836	843	843	843	843	
Reserves & Surplus	34,026	35,828	39,151	43,119	47,589	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	0	0	0	0	0	
Def. Tax Liab. / Assets (-)	367	368	368	368	368	
Total - Equity & Liab.	35,229	37,038	40,362	44,330	48,800	
Net Fixed Assets	1,336	1,823	2,197	2,564	2,956	
Gross Fixed Assets	4,210	4,707	5,249	5,891	6,874	
Intangible Assets	29	342	642	892	892	
Less: Depn. & Amort.	2,904	3,226	3,694	4,219	4,810	
Capital WIP	0	0	0	0	0	
Investments	37,976	40,512	40,512	40,512	40,512	
Current Assets	147	20	3,355	7,768	12,217	
Inventories	0	0	0	0	0	
Sundry Debtors	0	0	0	0	0	
Cash & Bank Balances	233	156	3,475	7,884	12,329	
Loans & Advances	4	8	25	29	33	
Other Current Assets	-90	-144	-144	-144	-144	
Current Liab. & Prov.	4,230	5,317	5,703	6,514	6,885	
Current Liabilities	146	153	209	238	272	
Provisions & Others	4,084	5,164	5,494	6,276	6,613	
Net Current Assets	-4,083	-5,297	-2,348	1,254	5,332	
Total - Assets	35,229	37,038	40,362	44,330	48,800	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	10.9%	19.3%	31.7%	33.0%	32.7%	
Asset Turnover (x)	0.3	0.2	0.3	0.3	0.3	
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0	
RoE	3.0%	4.5%	8.6%	9.4%	9.6%	

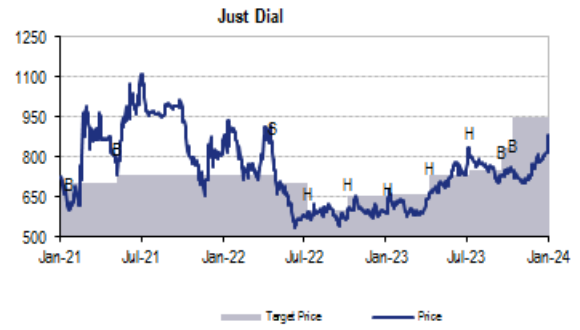
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	466.9	435.3	470.4	517.0	569.6	
ROIC	0.0%	0.0%	0.0%	0.0%	0.0%	
ROE	3.0%	4.5%	8.6%	9.4%	9.6%	
Net Debt/Equity (x)	-1.1	-1.1	-1.1	-1.1	-1.1	
P/E (x)	93.8	45.6	22.4	18.9	16.7	
P/B (x)	1.9	2.0	1.9	1.7	1.5	
EV/EBITDA (x)	-1,626.1	38.1	13.9	8.4	6.0	
EV/Sales (x)	5.4	3.9	2.8	2.1	1.5	
Debtor days	0	0	0	0	0	
Inventory days	0	0	0	0	0	
Creditor days	8	7	9	10	10	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
2-Nov-20	Buy	680	
1-Feb-21	Buy	700	2.9
18-May-21	Buy	730	4.3
3-May-22	Sell	700	-4.1
18-Jul-22	Hold	600	-14.3
18-Oct-22	Hold	650	8.3
15-Jan-23	Hold	660	1.5
18-Apr-23	Hold	730	10.6
18-Jul-23	Hold	750	2.7
27-Sep-23	Buy	830	10.7
21-Oct-23	Buy	950	14.5

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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