

Favourable risk-reward, upgrade to BUY

We upgrade Just Dial to 'BUY' (from 'HOLD' earlier) as we expect the company to see strong earnings recovery over the next 2-3 years, partly aided by a low, Covid-affected base. Having surpassed pre-Covid level revenue for the first time after 12 quarters in 1QFY24, the company's core business growth revival strategy now hinges on better monetisation of its B2B listings, which contribute ~26% to consolidated revenue. The company has ~7mn B2B listings on its platform, of which it is currently monetising only 120k-125k, compared to 200k+ for IndiaMART (Buy, INR TP 3,300). It also sees decent room for improvement in realisation, as current average for its B2B campaigns stands at ~INR 20k, significantly lower than IndiaMART's INR 50k+. Basis this, we forecast Consol. topline CAGR of c.17% over FY23-26E for Just Dial. Further, EBITDA margin that was down to break-even levels in FY22 (from 28%+ in FY20) is also expected to report a robust recovery on account of strong operating leverage and scale-down of investments towards new initiatives (such as JD Mart, JD Xperts and JD Shopping). Sharp recovery in operating performance and compelling valuations of 11x/8.5x FY25/26 ex-cash EPS should lead to a near-term up-move in the stock.

- **Expect B2B campaigns to drive topline growth in the near to medium term:** While B2B businesses contribute ~22% to the company's overall paid campaigns, they account for ~26% of consolidated revenue. The threat of disruption by verticals is relatively low in B2B businesses compared to B2C businesses due to large ticket sizes and high proportion of customisation that is needed. As a result, average realisation of B2B campaigns is also higher than that of B2C campaigns. Therefore, Just Dial is now focussing on enriching the catalogue content as well as the quality of search algorithms. Given that Just Dial currently monetises just about 1.7% of total B2B listings on its platform despite offering significantly lower price points, we believe the revenue share of B2B campaigns can increase significantly over the next 2-3 years. That in turn could drive topline CAGR of 16.8% 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).
- **Strong operating leverage and scale-back of new investments could support margin expansion:** Just Dial's EBITDA margin dropped to break-even levels in FY22 from 28%+ in FY20 due to sharp decline in revenue during Covid as well as investments towards new initiatives. The company is now focussing on recovering margins to pre-Covid levels by improving the productivity of the sales team, making controlled A&P spend (focus on growing organic traffic) and scaling back investments towards new initiatives. As revenues are likely to grow in mid-teens, we anticipate strong operating leverage for the company with EBITDA margin expanding from 10.2% in FY23 to 22.3% in FY26E.
- **Favourable risk-reward, upgrade to BUY:** We raise our EBITDA estimates over FY25/26 by 11-19% and expect Just Dial's PAT (ex-other income) to see a 4x+ increase from INR 0.4bn in FY23 to ~INR 1.8bn in FY26. We continue to value the stock basis 15x Sep'25E core business EPS + Sep'24-end cash to derive our revised TP of INR 830 (vs. INR 750 earlier). The stock trades at 11x/8.5x FY25/26 ex-cash EPS, which limits any material downside.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	HOLD
Current Price Target (12M)	830
Upside/(Downside)	15.0%
Previous Price Target	750
Change	10.7%

Key Data – JUST IN

Current Market Price	INR722
Market cap (bn)	INR61.7/US\$0.7
Free Float	26%
Shares in issue (mn)	84.3
Diluted share (mn)	85.4
3-mon avg daily val (mn)	INR215.4/US\$2.6
52-week range	879/535
Sensex/Nifty	66,119/19,716
INR/US\$	83.2

Price Performance

%	1M	6M	12M
Absolute	-4.6	24.3	31.5
Relative*	-6.2	8.3	12.5

* To the BSE Sensex

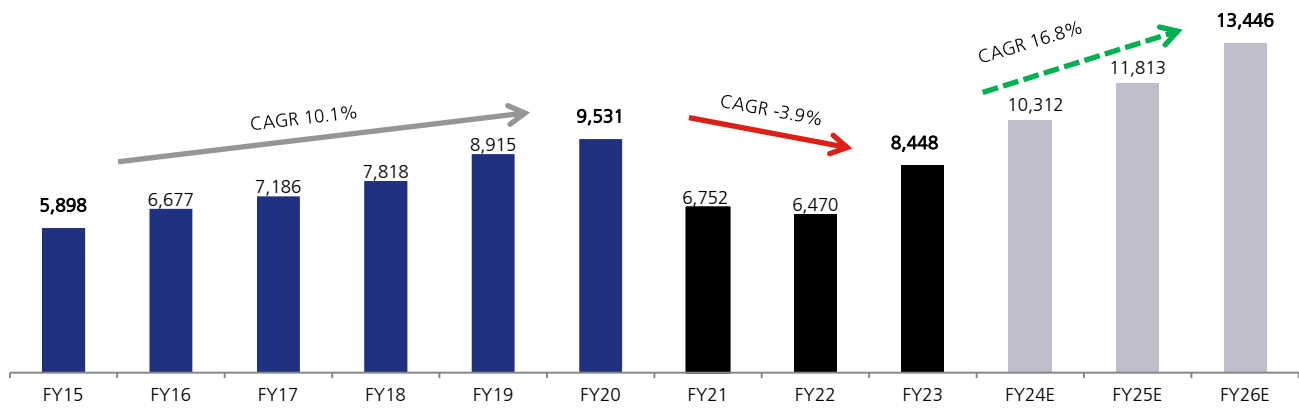
JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

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	10,312	11,813	13,446
Sales Growth (%)	-4.2	30.6	22.1	14.6	13.8
EBITDA	-22	857	1,698	2,341	2,992
EBITDA Margin (%)	-0.3	10.2	16.5	19.8	22.3
Adjusted Net Profit	708	1,627	3,219	3,779	4,421
Diluted EPS (INR)	9.3	19.1	37.7	44.3	51.8
Diluted EPS Growth (%)	-72.1	105.7	96.9	17.4	17.0
ROIC (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	3.0	4.5	8.4	9.0	9.6
P/E (x)	78.0	37.9	19.3	16.4	14.0
P/B (x)	1.6	1.7	1.5	1.4	1.3
EV/EBITDA (x)	-1,054.4	23.7	9.9	5.4	2.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

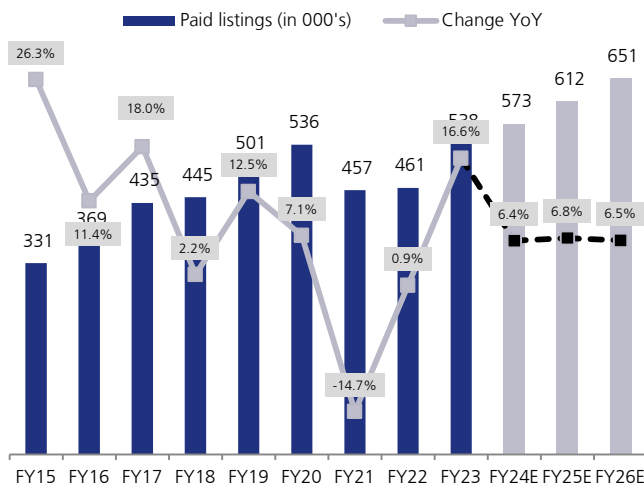
Source: Company data, JM Financial. Note: Valuations as of 26/Sep/2023

Exhibit 1. We expect Just Dial to report c.17% revenue CAGR over FY23-26 partly aided by a low, Covid-affected base (revenue declined at a CAGR of 3.9% between FY20 and FY23)



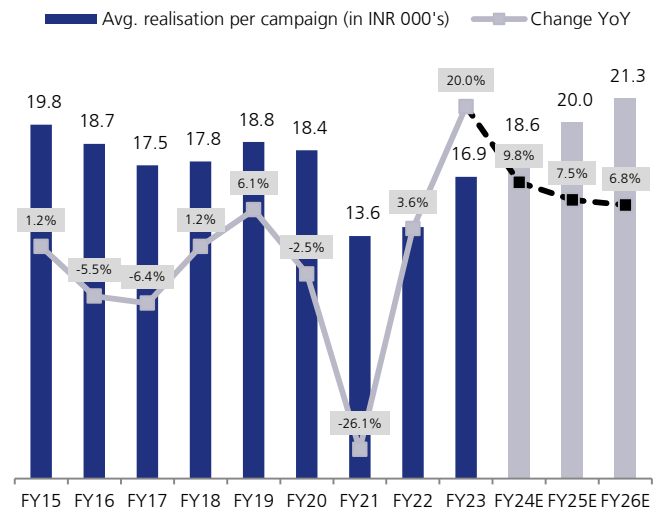
Source: Company, JM Financial Estimates

Exhibit 2. We expect revenue growth to be driven by paid campaigns...



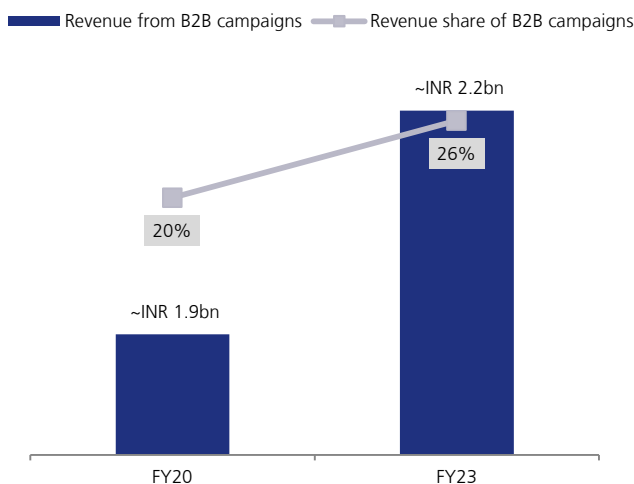
Source: Company, JM Financial Estimates

Exhibit 3. ...as well as average realisation per campaign



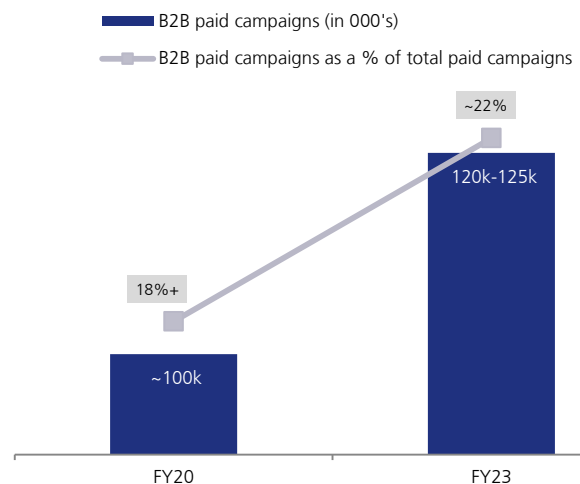
Source: Company, JM Financial Estimates

Exhibit 4. Revenue share from B2B campaigns has increased from c.20% in FY20 to ~26% in FY23



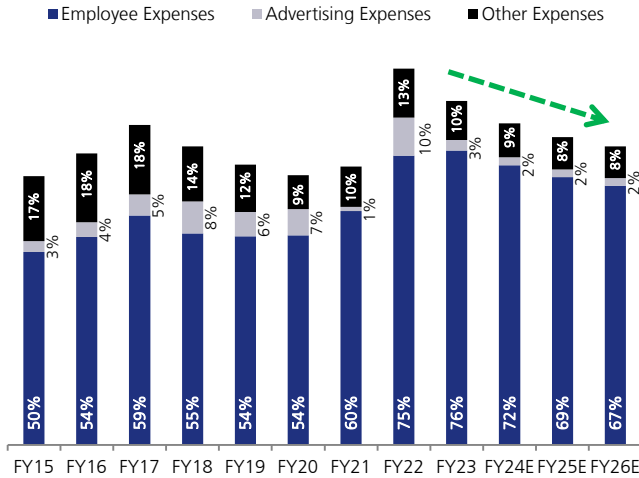
Source: Company, JM Financial Estimates

Exhibit 5. Share of B2B paid campaigns has increased from 18%+ in FY20 to ~22% in FY23



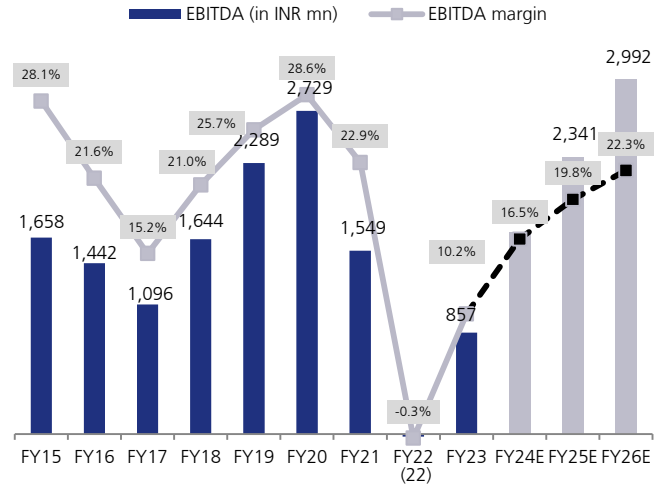
Source: Company, JM Financial

Exhibit 6. We expect operating expenses as a % of revenue to decline from ~90% in FY23 to ~78% in FY26...



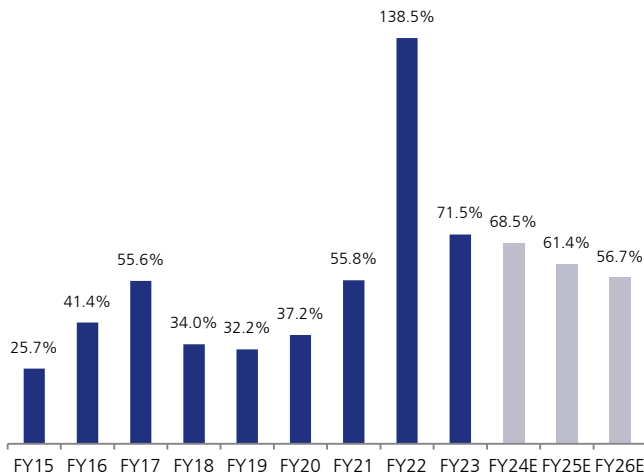
Source: Company, JM Financial Estimates

Exhibit 7. ...which should help EBITDA margin to improve from 10% in FY23 to 22% in FY26 (28.6% in FY20)



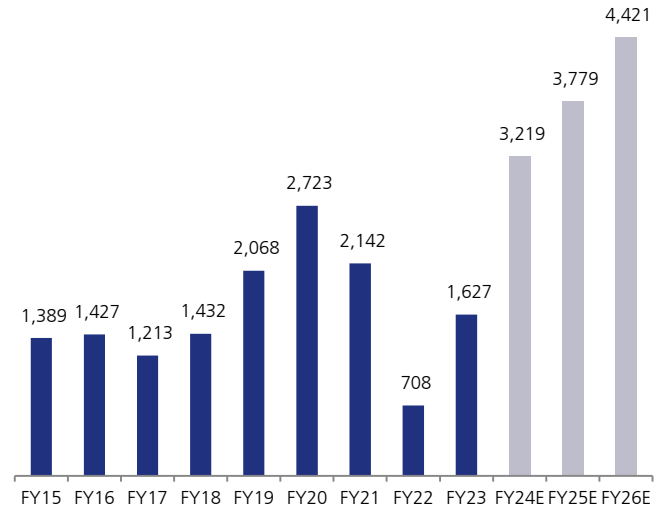
Source: Company, JM Financial Estimates

Exhibit 8. Other income (net of finance cost) expressed as a % of PBT



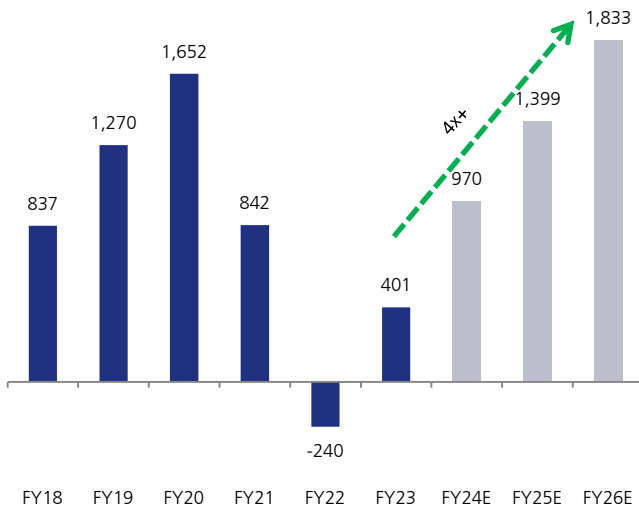
Source: Company, JM Financial Estimates

Exhibit 9. Reported PAT (in INR mn) trend over FY15-FY26E



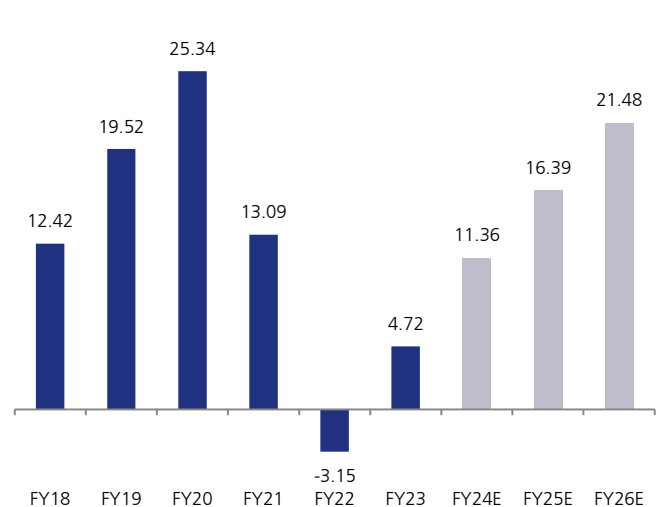
Source: Company, JM Financial Estimates

Exhibit 10. PAT trend (ex-other income, INR mn)



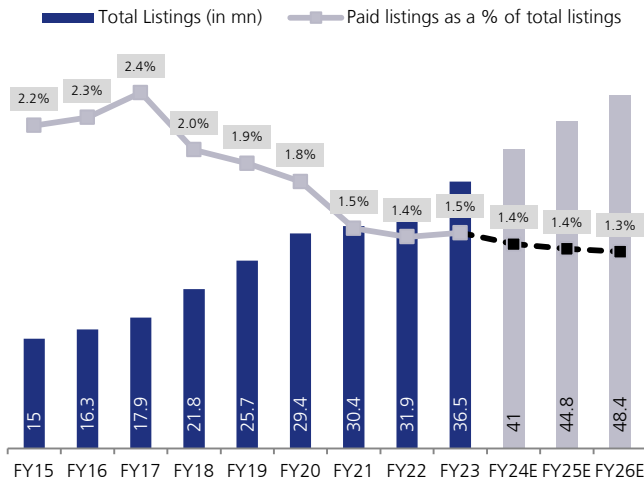
Source: Company, JM Financial Estimates

Exhibit 11. Diluted EPS trend (ex-other income, INR)



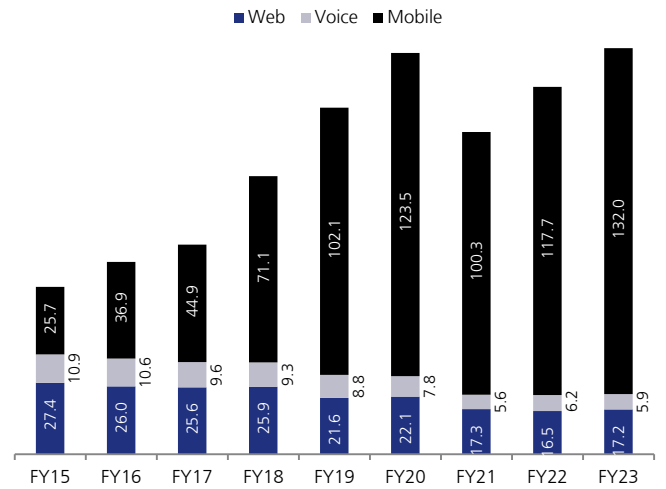
Source: Company, JM Financial Estimates

Exhibit 12. Total listings as % of paid listings



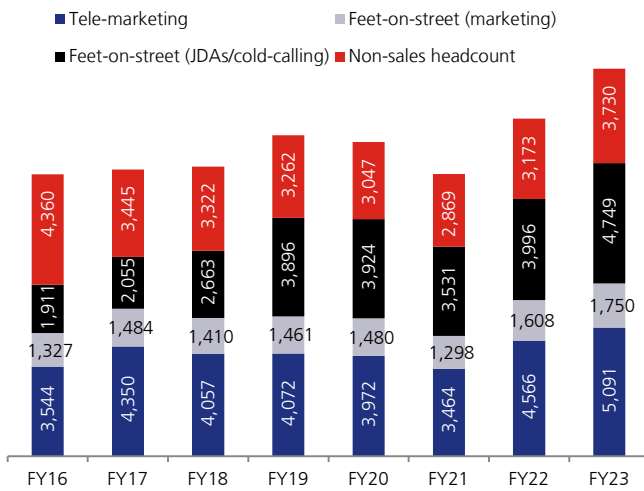
Source: Company, JM Financial Estimates

Exhibit 13. Unique visitors (in mn)



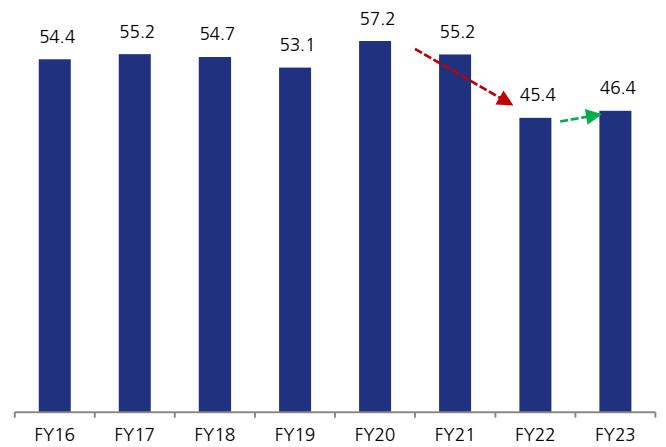
Source: Company, JM Financial

Exhibit 14. Sales headcount



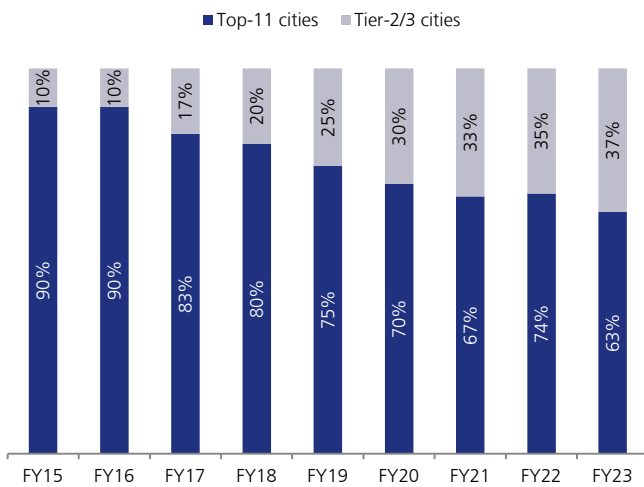
Source: Company, JM Financial

Exhibit 15. Sales productivity (Paid listing per sales employee)



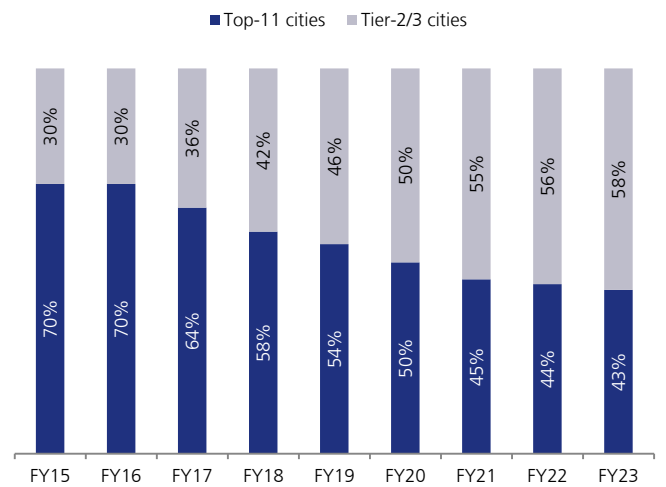
Source: Company, JM Financial

Exhibit 16. Revenue distribution between Tier-1 and Tier-2/3 cities



Source: Company, JM Financial

Exhibit 17. Paid-listing distribution between Tier-1 and Tier-2/3 cities



Source: Company, JM Financial

Upgrade to BUY; TP revised to INR 830

Exhibit 18. What has changed in our forecasts and assumptions?

	Old			New			Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Consolidated revenue (INR mn)	10,442	11,901	13,445	10,312	11,813	13,446	-1.2%	-0.7%	0.0%
Revenue growth rate (YoY)	23.6%	14.0%	13.0%	22.1%	14.6%	13.8%	-154bp	59bp	84bp
EBITDA margin	16.8%	17.7%	18.8%	16.5%	19.8%	22.3%	-28bp	213bp	349bp
EBITDA (INR mn)	1,750	2,104	2,523	1,698	2,341	2,992	-2.9%	11.2%	18.6%
EBIT margin	12.9%	13.9%	15.0%	12.6%	15.8%	18.2%	-28bp	197bp	328bp
EBIT (INR mn)	1,343	1,651	2,010	1,297	1,871	2,451	-3.4%	13.3%	21.9%
PAT (INR mn)	3,493	3,671	4,132	3,219	3,779	4,421	-7.8%	3.0%	7.0%
EPS	41.10	43.19	48.62	37.71	44.27	51.78	-8.3%	2.5%	6.5%

Source: JM Financial Estimates

Exhibit 19. JMFe vs. Consensus

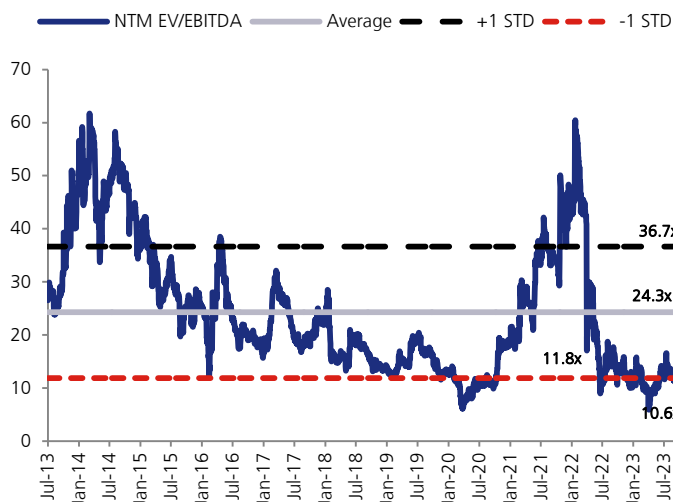
	JMFe			Consensus			JMFe vs. Consensus		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue (INR mn)	10,312	11,813	13,446	10,240	12,097	13,554	0.7%	-2.3%	-0.8%
EBITDA (INR mn)	1,698	2,341	2,992	1,798	2,465	3,080	-5.5%	-5.0%	-2.9%
EBITDA margin	16.5%	19.8%	22.3%	17.6%	20.4%	22.7%	-108bps	-56bps	-47bps
EBIT (INR mn)	1,297	1,871	2,451	1,519	2,203	2,577	-14.6%	-15.1%	-4.9%
EBIT margin	12.6%	15.8%	18.2%	14.8%	18.2%	19.0%	-225bps	-237bps	-78bps
PAT (INR mn)	3,219	3,779	4,421	3,011	3,528	4,152	6.9%	7.1%	6.5%
EPS (INR)	37.71	44.27	51.78	36.00	41.15	46.85	4.7%	7.6%	10.5%

Source: Bloomberg Consensus, 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 20. NTM EV/EBITDA Valuation Chart



Source: Bloomberg Consensus, JM Financial

Exhibit 21. 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	10,312	11,813	13,446	
Sales Growth	-4.2%	30.6%	22.1%	14.6%	13.8%	
Other Operating Income	0	0	0	0	0	
Total Revenue	6,470	8,448	10,312	11,813	13,446	
Cost of Goods Sold/Op. Exp	0	0	0	0	0	
Personnel Cost	5,040	6,510	7,500	8,256	9,082	
Other Expenses	1,451	1,080	1,114	1,217	1,371	
EBITDA	-22	857	1,698	2,341	2,992	
EBITDA Margin	-0.3%	10.2%	16.5%	19.8%	22.3%	
EBITDA Growth	0.0%	0.0%	98.1%	37.8%	27.8%	
Depn. & Amort.	299	322	402	470	541	
EBIT	-320	536	1,297	1,871	2,451	
Other Income	1,153	1,343	2,822	2,975	3,216	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	833	1,878	4,119	4,845	5,667	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	833	1,878	4,119	4,845	5,667	
Taxes	125	251	900	1,066	1,247	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	708	1,627	3,219	3,779	4,421	
Adjusted Net Profit	708	1,627	3,219	3,779	4,421	
Net Margin	10.9%	19.3%	31.2%	32.0%	32.9%	
Diluted Share Cap. (mn)	76.1	85.0	85.4	85.4	85.4	
Diluted EPS (INR)	9.3	19.1	37.7	44.3	51.8	
Diluted EPS Growth	-72.1%	105.7%	96.9%	17.4%	17.0%	
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	1,297	1,871	2,451	
Depn. & Amort.	299	322	402	470	541	
Net Interest Exp. / Inc. (-)	0	0	0	0	0	
Inc (-) / Dec in WCap.	234	1,016	611	507	350	
Others	216	95	64	100	100	
Taxes Paid	-37	-183	-900	-1,066	-1,247	
Operating Cash Flow	392	1,786	1,473	1,882	2,195	
Capex	-145	-497	-750	-840	-923	
Free Cash Flow	247	1,289	724	1,043	1,272	
Inc (-) / Dec in Investments	-21,947	-1,362	0	0	0	
Others	224	227	2,822	2,975	3,216	
Investing Cash Flow	-21,868	-1,632	2,073	2,135	2,293	
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	-64	-100	-100	
Financing Cash Flow	21,093	-231	-64	-100	-100	
Inc / Dec (-) in Cash	-383	-77	3,482	3,917	4,388	
Opening Cash Balance	615	233	156	3,702	7,719	
Closing Cash Balance	233	156	3,638	7,619	12,107	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	34,862	36,671	39,954	43,833	48,354	
Share Capital	836	843	843	843	843	
Reserves & Surplus	34,026	35,828	39,111	42,990	47,511	
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	40,321	44,201	48,721	
Net Fixed Assets	1,336	1,823	2,171	2,541	2,923	
Gross Fixed Assets	4,210	4,707	5,157	5,746	6,669	
Intangible Assets	29	342	642	892	892	
Less: Depn. & Amort.	2,904	3,226	3,627	4,097	4,638	
Capital WIP	0	0	0	0	0	
Investments	37,976	40,512	40,512	40,512	40,512	
Current Assets	147	20	3,582	7,603	12,095	
Inventories	0	0	0	0	0	
Sundry Debtors	0	0	0	0	0	
Cash & Bank Balances	233	156	3,702	7,719	12,207	
Loans & Advances	4	8	25	29	32	
Other Current Assets	-90	-144	-144	-144	-144	
Current Liab. & Prov.	4,230	5,317	5,944	6,455	6,809	
Current Liabilities	146	153	206	236	269	
Provisions & Others	4,084	5,164	5,738	6,219	6,541	
Net Current Assets	-4,083	-5,297	-2,362	1,148	5,286	
Total - Assets	35,229	37,038	40,321	44,201	48,721	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	10.9%	19.3%	31.2%	32.0%	32.9%	
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%	8.4%	9.0%	9.6%	

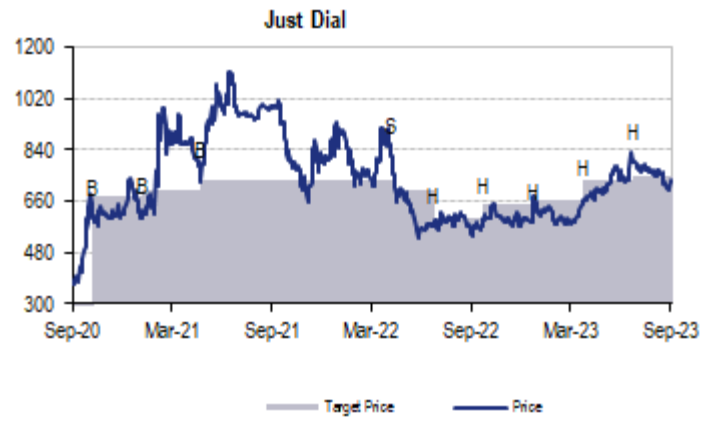
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	466.9	435.3	469.9	515.5	568.7	
ROIC	0.0%	0.0%	0.0%	0.0%	0.0%	
ROE	3.0%	4.5%	8.4%	9.0%	9.6%	
Net Debt/Equity (x)	-1.1	-1.1	-1.1	-1.1	-1.1	
P/E (x)	78.0	37.9	19.3	16.4	14.0	
P/B (x)	1.6	1.7	1.5	1.4	1.3	
EV/EBITDA (x)	-1,054.4	23.7	9.9	5.4	2.8	
EV/Sales (x)	3.5	2.4	1.6	1.1	0.6	
Debtor days	0	0	0	0	0	
Inventory days	0	0	0	0	0	
Creditor days	8	7	9	9	9	

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

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
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.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

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