

Robust margin doubles EBITDA; cash distribution on the cards

Just Dial's EBITDA grew ~120% YoY (+14% QoQ) to INR 806mn, ahead of JMFe by c.4%, led by robust margin expansion of 13.9ppts YoY (+260bps QoQ). This was the 9th consecutive quarter of sequential margin improvement, an overall expansion of 32.5ppts since 4QFY22. Revenue was broadly in-line JMFe despite net paid campaign additions of 7.9k QoQ being a tad lower than our estimate of 9k. While collections growth was muted at 5.4% YoY, the management attributed it to general elections in April-May and indicated a sharp recovery in trends in June. We conservatively build revenue growth of 13.5% over the medium term vs. the management target of above mid-teens. We reiterate that EBITDA growth in FY25 could be very robust at c.60% YoY, as full impact of the recent margin expansion is yet to come in the base. Plans to distribute full year profits/cash generated to shareholders could drive significant value unlocking as yield on payouts could be >6% at CMP (basis FY25 estimates). Valuations too are very compelling at 12x/8x FY26/27 ex-cash EPS. We maintain BUY.

- Decent revenue growth aided by expansion in lower tier cities and reducing churn rates:** Revenue grew 13.6% YoY (+3.8% QoQ) to INR 2.8bn, in-line JMFe. Paid campaigns increased 7.9k QoQ to ~592k (+16.7k/+10k in 4QFY24/1QFY24). Average realisation too improved 5% YoY to INR 19.1k (+1.6% QoQ). Revenue contribution of beyond top 11 cities increased to 42% in 1QFY25 from 40% in 1QFY24. Moreover, majority of the paid campaign sign-ups are happening on monthly payment plans, which, in turn, has helped reduce churn rates by 400-500bps to ~40%, as per the company. We forecast revenue CAGR of 13.5% over FY24-FY27, 1.3x of CAGR reported over FY15-FY20, factoring in steady increase in paid campaigns as well as realisation.
- Robust margin expansion drives 120% YoY EBITDA growth:** Just Dial's EBITDA margin in 1Q expanded 13.9ppts YoY (+2.6ppts QoQ) to 28.7%, ahead of JMFe by 101bps, on the back of robust cost control. Employee cost was down 5.3% YoY due to rationalisation of workforce across sales as well as non-sales functions, while other expenses were down 2.5% due to tight control over A&P spend and communication cost. As a result, EBITDA growth was robust at 120% YoY to INR 806mn (+14% QoQ), a beat on JMFe by 3.6%. The management indicated cautious usage of A&P spend to drive traffic growth, which means EBITDA margin in the near term could continue to inch up towards ~30%.
- Board considering cash distribution policy:** The management mentioned that the board is considering various avenues such as dividend, buyback or any other means to ensure tax efficient distribution of 100% (or higher) of the company's annual profits or incremental cash generated to shareholders. At CMP, the yield on payouts could be more than 6% assuming full distribution of FY25 PAT or FCFF plus other income.
- Reiterate BUY, raise TP to INR 1,300:** We raise our EBITDA estimates over FY25-27 by 3-6% driven by 100-175bps expansion in margin forecasts and expect Just Dial's core PAT (i.e., ex-other income) to expand by 2.3x from INR 1.3bn in FY24 to ~INR 3.0bn in FY27. We roll forward to Sep'25 and now value the stock basis 20x core business EPS + Cash (vs. 18x earlier) to derive a revised TP of INR 1,300 (vs. INR 1,160 earlier).

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,300
Upside/(Downside)	25.6%
Previous Price Target	1,160
Change	12.1%

Key Data – JUST IN

Current Market Price	INR1,035
Market cap (bn)	INR88.0/US\$1.1
Free Float	26%
Shares in issue (mn)	85.0
Diluted share (mn)	85.0
3-mon avg daily val (mn)	INR853.3/US\$10.2
52-week range	1,163/693
Sensex/Nifty	80,717/24,613
INR/US\$	83.6

Price Performance

%	1M	6M	12M
Absolute	-0.6	19.3	29.7
Relative*	-5.1	5.6	7.0

* 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	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	8,448	10,429	11,857	13,468	15,251
Sales Growth (%)	30.6	23.5	13.7	13.6	13.2
EBITDA	857	2,166	3,438	3,952	4,574
EBITDA Margin (%)	10.2	20.8	29.0	29.3	30.0
Adjusted Net Profit	1,627	3,629	5,507	5,555	6,365
Diluted EPS (INR)	19.1	42.7	64.8	65.3	74.9
Diluted EPS Growth (%)	105.7	122.8	51.8	0.9	14.6
ROIC (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	4.5	9.4	12.8	11.4	11.7
P/E (x)	54.1	24.3	16.0	15.8	13.8
P/B (x)	2.4	2.2	1.9	1.7	1.5
EV/EBITDA (x)	55.2	19.3	10.5	7.7	5.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 16/Jul/2024

Conference Call: Key takeaways

- **Management guidance:** 1) The company expects revenue growth of mid-teens in FY25. Gross margin is expected to be stable around 55% in the near term. EBITDA margin is expected to be 25%+ in FY25. EBITDA growth will be top line-driven with expenses being tightly controlled. 2) Revenue growth will be driven by an equal mix of paid campaigns growth and increase in realisation. 3) Ad spend currently accounts for 2-2.5% of top line; this could increase to 5-6% in the long term. The management is exploring region-specific or targeted advertising during events such as IPL provided unit economics are viable. 4) For FY25, the tax rate is expected to be around the current level of 8.2%. In the long term, tax rate should be around 18-20%.
- **Collections:** In 1Q, collections growth moderated to 5.4% YoY vs. c.18% in FY24. The management attributed the muted trends to prolonged general elections in the months of April and May. It, however, noted that in June collections had risen to INR 970mn-980mn (quarterly run-rate of INR 2.9bn-2.95bn).
- **Share of Tier 2/3 cities:** Tier 2/3 cities contributed 42% to revenue and 60% to paid campaigns in 1Q. Currently average realisation in Tier 1 is INR 2,200-2,300 per campaign per month, whereas in Tier 2/3 it is INR 1,100 per campaign per month. Average realisation in Tier 2/3 now stands at around 48% of Tier 1 cities; it was around 45% a year ago and 40-42% three years back. The management expects Tier 2/3 realisation to move to INR 1,500-1,600 per campaign per month in the near term and closer to Tier 1 city levels in the long term.
- **B2B campaigns:** In 1Q, in terms of paid campaigns, B2B campaigns accounted for 21-22% of the total paid campaigns, whereas B2B contributed around 25.5% of the total revenue as realisation in B2B is higher than in B2C. B2B share has been in the same range since the last 4-5 quarters as B2C is also seeing healthy growth. The management believes that B2B share could improve in future as it has more growth levers in terms of pricing and volumes.
- **Churn rate:** The management noted that churn rate has reduced to 40% vs. 45% a year ago. Reduction of 400-500 bps in churn rate is mainly due to 1) shift to monthly plans, and 2) improved campaign management tools for SMEs, which are yielding better results as SMEs are managing their leads more efficiently. For e.g., now SMEs can see the source of leads they are getting, which helps them focus on quality leads. The top 11 cities have a higher churn rate than the non-top 11 cities because of higher ticket size in the former.
- **Growth initiatives:** The management is focusing on healthy growth in free cash flows. On the core business side, the company is working on 1) catalogue content enrichment, such as adding new features to showcase the content, especially for service-oriented businesses that contribute 66% of total revenue, 2) giving user-friendly tools to SMEs so that they can manage their campaign better, essentially improving both quality and quantity of leads; tools rolled out for users or SMEs ultimately lead to traffic growth, which aids core local search business, and 3) aid sales team in monetisation by generating hot leads. These initiatives are helping in cost-effective growth. New initiatives are primarily transaction-led platforms, which does not have positive unit economics as of now.
- **Traffic trends:** Currently 60-61% of traffic comes from Tier 2/3 cities and 40% from Tier 1 cities. Traffic growth rates are not materially different in these geographies. The management has optimised ad spend towards top revenue-generating categories, essentially choosing quality of traffic over quantity. In 1Q, traffic is usually stronger in several categories because of summer months.

Exhibit 1. Consolidated key financials

	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	Comments
Revenues (INR mn)	2,470	2,606	2,651	2,703	10,429	2,806	<ul style="list-style-type: none"> Consol. revenue grew 13.6% YoY (+3.8% QoQ) to INR 2.8bn, in-line with JMFe. Revenue growth was supported by paid campaigns growth of 7.9% YoY and avg. realisation growth of 5% YoY.
Total operating expense	2,103	2,118	2,047	1,995	8,264	1,999	
Operating profit (EBITDA)	367	488	604	707	2,166	806	
Operating margin	14.9%	18.7%	22.8%	26.2%	20.8%	28.7%	<ul style="list-style-type: none"> EBITDA margin expansion was very strong at 13.9ppts YoY (+257 bps QoQ) to 28.7%, ahead of JMFe by 101bps. Margin beat was on account of strong control over in G&A expenses.
Depreciation & amortization	100	122	121	118	462	117	
EBIT	267	366	483	589	1,704	689	<ul style="list-style-type: none"> Treasury income of INR 850mn was also well ahead of JMFe of INR 720mn, while ETR stood at 8.2% below JMFe of 10%.
EBIT margin	10.8%	14.0%	18.2%	21.8%	16.3%	24.6%	
Net other income	795	555	727	885	2,962	850	
Profit before tax	1061	921	1,209	1,474	4,666	1,539	<ul style="list-style-type: none"> PAT of INR 1,412mn was c.14.3% ahead of JMFe. The beat was driven by better-than-expected operating profit as well as treasury income.
Income tax expense	227	203	289	317	1,036	127	
Net income from operations	834	718	920	1,157	3,629	1,412	
Change (YoY)	Na	37.6%	22.1%	38.4%	123.0%	69.3%	
Adjusted diluted EPS	9.80	8.44	10.82	13.61	42.67	16.60	
Change (YoY)	Na	37.5%	22.1%	38.4%	122.8%	69.4%	

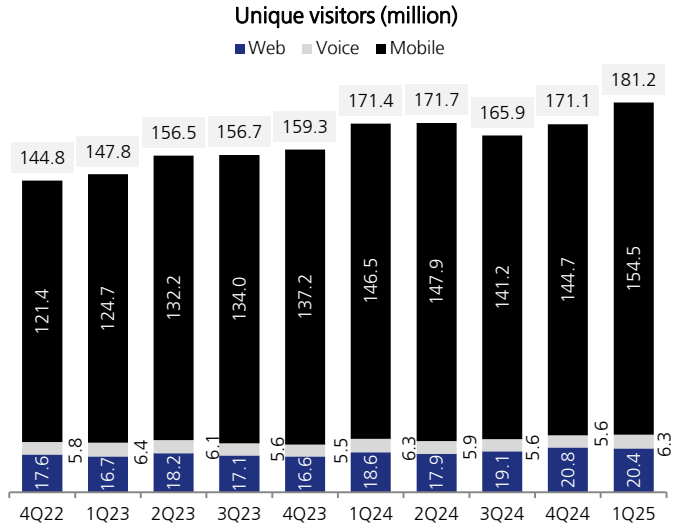
Source: Company, JM Financial

Exhibit 2. Key execution metrics

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	Comments
Total listings – mn	38.0	40.2	41.6	43.6	44.9	<ul style="list-style-type: none"> Total listings grew by 18.2% YoY to 44.9mn while paid campaigns grew 7.9% YoY to 591,650.
Change (YoY)	15.9%	18.6%	18.9%	19.5%	18.2%	
Paid listings - period-end (nos)	5,48,270	5,60,830	5,66,955	5,83,690	591,650	
Change (YoY)	13.4%	11.3%	8.6%	8.4%	7.9%	<ul style="list-style-type: none"> Overall employee headcount increased by 2.2% sequentially (-14.7% YoY) to 13,112 in 1QFY25.
Paid listings - % of total listings	1.44%	1.40%	1.36%	1.34%	1.32%	
Avg. revenue per campaign (INR)	18,186	18,798	18,801	18,791	19,097	
Change (YoY)	15.8%	13.0%	8.9%	7.1%	5.0%	
Headcount	15,367	14,888	13,954	12,834	13,112	
Sales headcount	11,746	11,532	10,906	9,816	9,980	

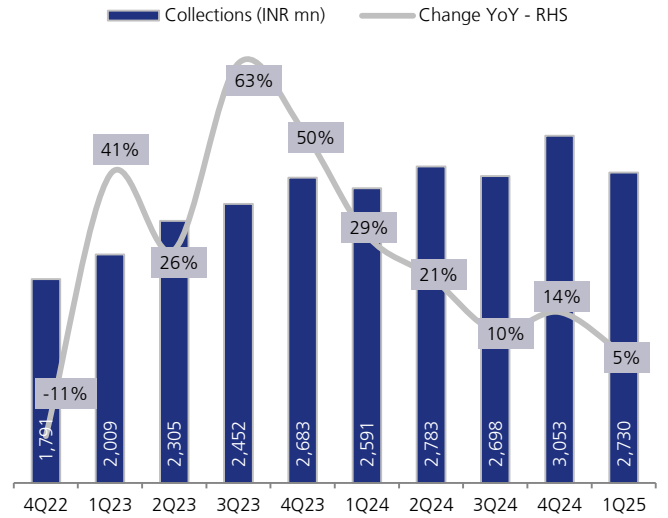
Source: Company, JM Financial

Exhibit 3. Unique visitor traffic was up 5.8% YoY (6% QoQ)



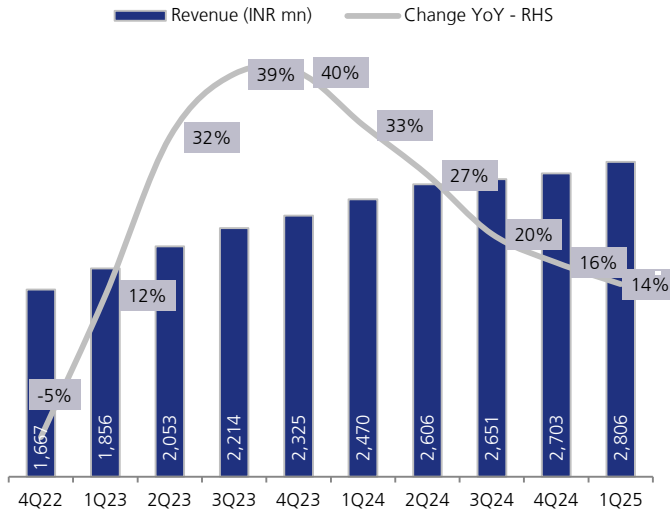
Source: Company, JM Financial

Exhibit 4. Collections grew 5.4% YoY (-10.6% QoQ)



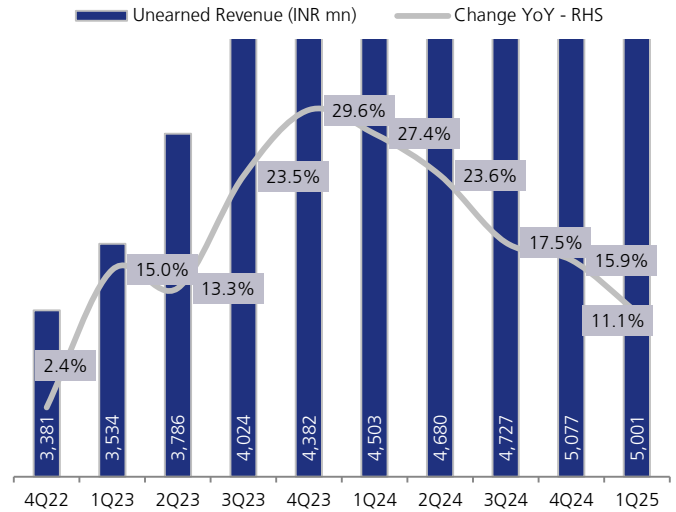
Source: Company, JM Financial

Exhibit 5. Revenue grew c.14% YoY (c.4% QoQ)



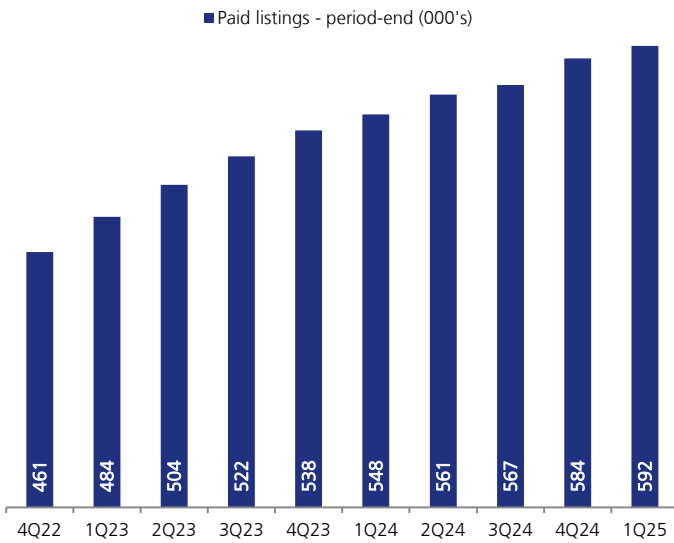
Source: Company, JM Financial

Exhibit 6. Deferred revenue was up c.11% YoY (-1.5% QoQ)



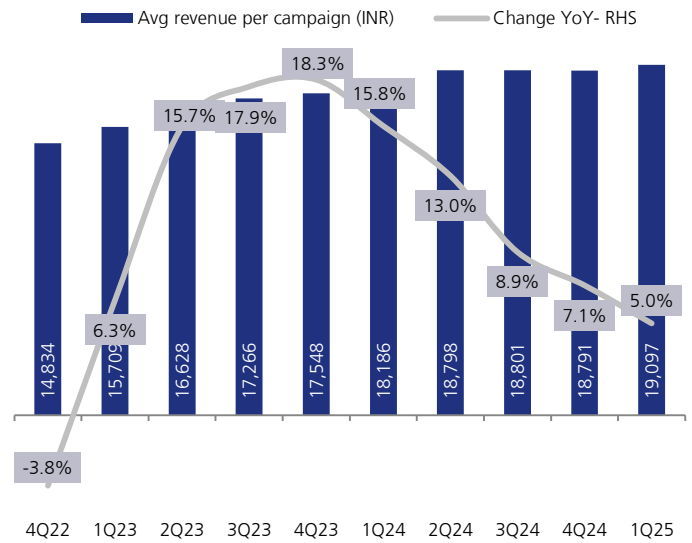
Source: Company, JM Financial

Exhibit 7. Period-end paid campaigns rose 7.9% YoY (+1.4% QoQ)



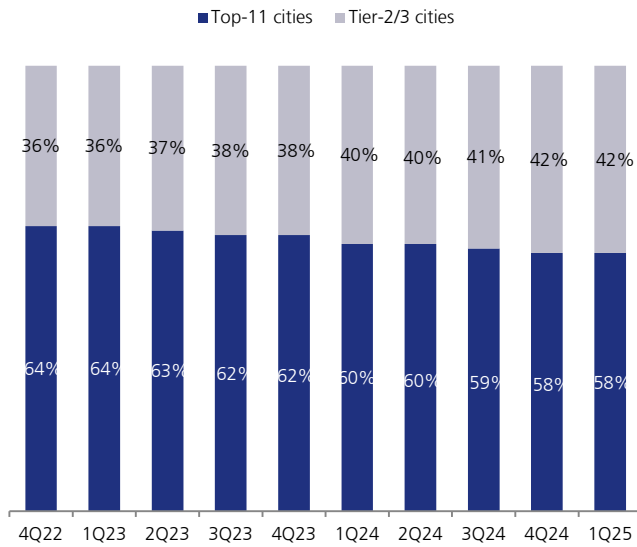
Source: Company, JM Financial

Exhibit 8. Avg. realisation were up 5% YoY (1.6% QoQ) in 1QFY25



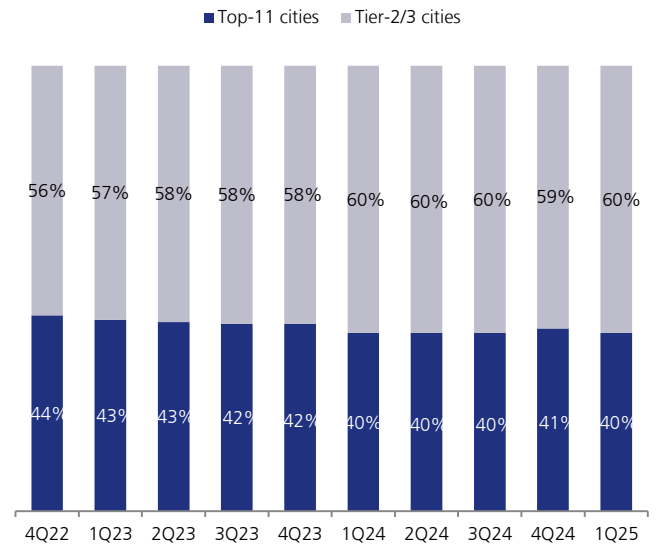
Source: Company, JM Financial

Exhibit 9. Revenue distribution trends – Geography-wise



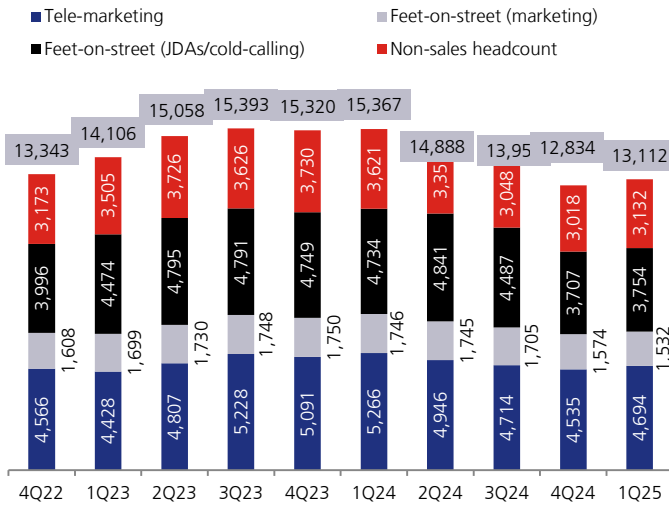
Source: Company, JM Financial

Exhibit 10. Paid-listings distribution trends – Geography-wise



Source: Company, JM Financial

Exhibit 11. Sales headcount increased 1.7% QoQ



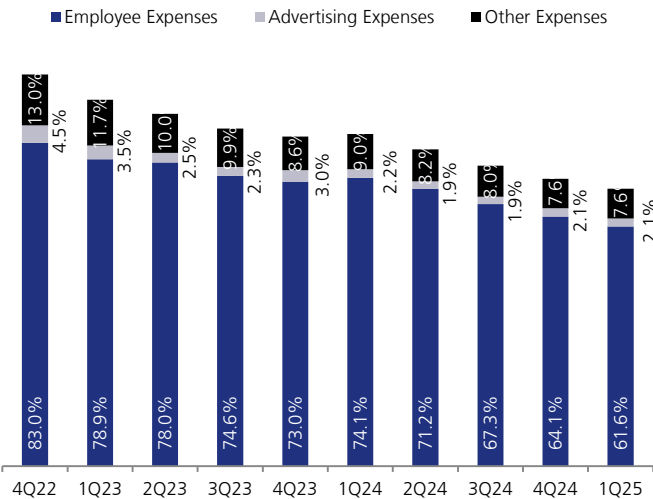
Source: Company, JM Financial

Exhibit 12. Paid listings per sales employees declined 0.3% QoQ



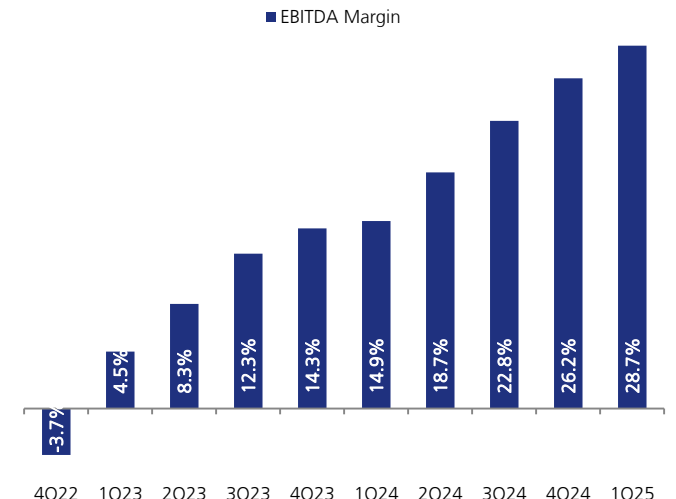
Source: Company, JM Financial

Exhibit 13. Operating expenses as a % of revenue declined from 85.3% in 1QFY24 to 71.3% in 1QFY25...



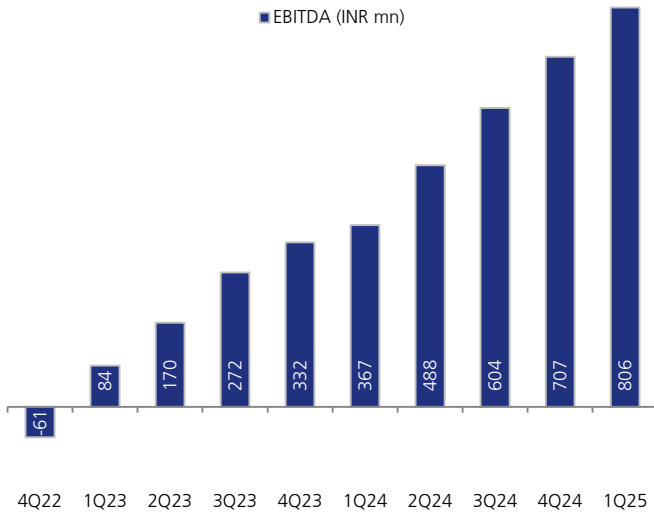
Source: Company, JM Financial estimates

Exhibit 14. ...due to which EBITDA margin expanded to 28.7% in 1QFY25



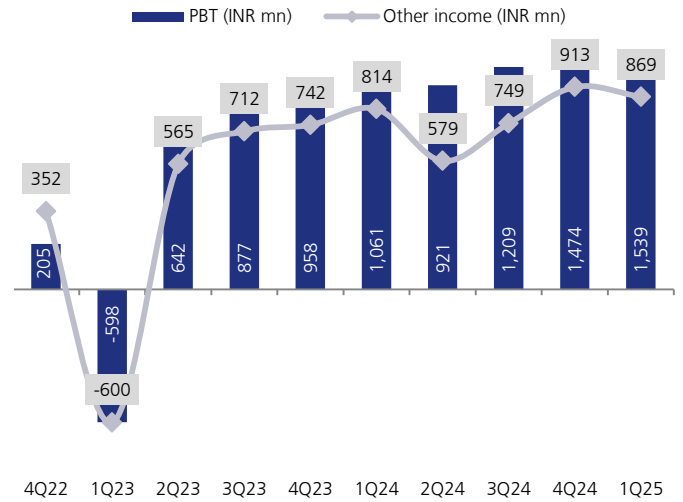
Source: Company, JM Financial

Exhibit 15. EBITDA in 1Q grew 120% YoY (14% QoQ)



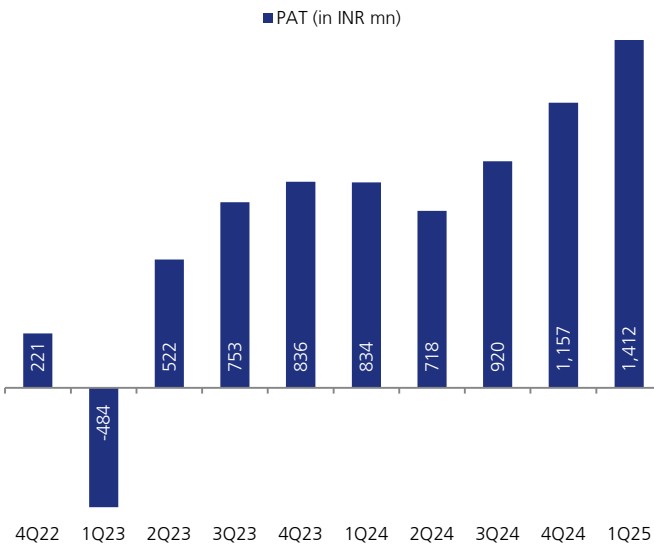
Source: Company, JM Financial

Exhibit 16. Other income declined ~5% QoQ to INR 869mn



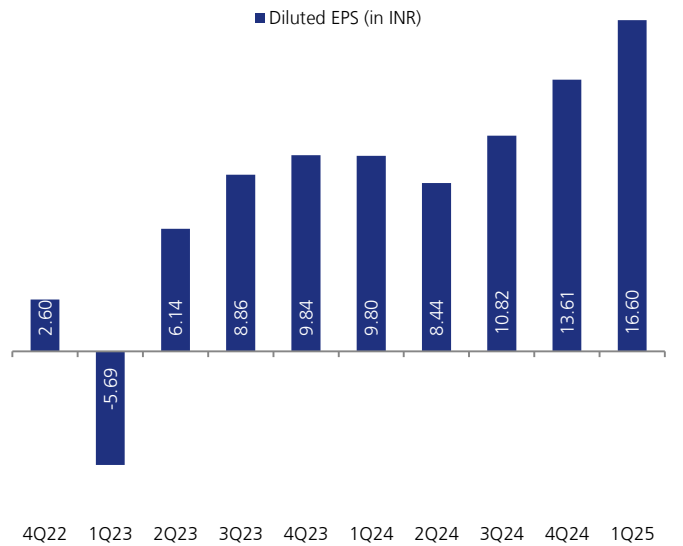
Source: Company, JM Financial

Exhibit 17. Reported PAT trend



Source: Company, JM Financial

Exhibit 18. Diluted EPS trend



Source: Company, JM Financial

Maintain BUY; TP raised to INR 1,300

Exhibit 19. What has changed in our forecasts and assumptions?

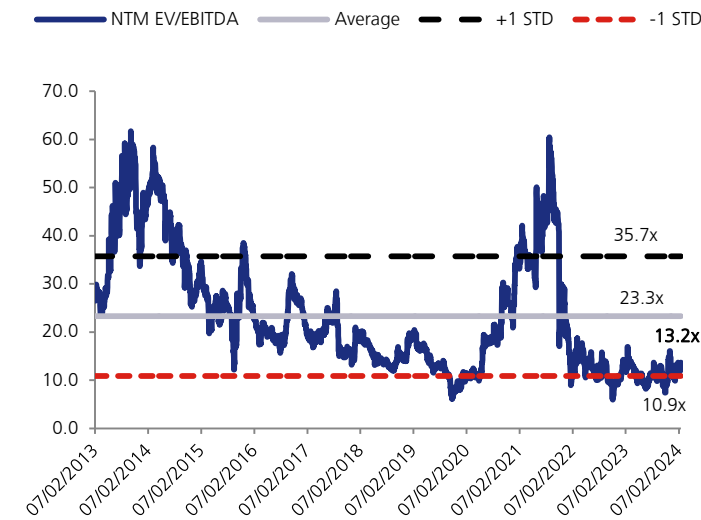
	Old			New			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Consolidated revenue (INR mn)	11,892	13,537	15,212	11,857	13,468	15,251	-0.3%	-0.5%	0.3%
Revenue growth rate (YoY)	14.0%	13.8%	12.4%	13.7%	13.6%	13.2%	-33bp	-25bp	86bp
EBITDA margin	28.0%	28.2%	28.2%	3,438	3,952	4,574	3.2%	3.5%	6.5%
EBITDA (INR mn)	3,330	3,819	4,296	29.0%	29.3%	30.0%	99bp	113bp	175bp
EBIT margin	23.7%	24.2%	24.4%	2,963	3,462	4,076	4.9%	5.6%	9.9%
EBIT (INR mn)	2,824	3,278	3,711	25.0%	25.7%	26.7%	124bp	149bp	234bp
PAT (INR mn)	5,158	5,176	5,802	5,507	5,555	6,365	6.8%	7.3%	9.7%
Diluted EPS (INR)	60.67	60.87	68.24	64.77	65.33	74.86	6.8%	7.3%	9.7%

Source: Company, JM Financial

Key Risks

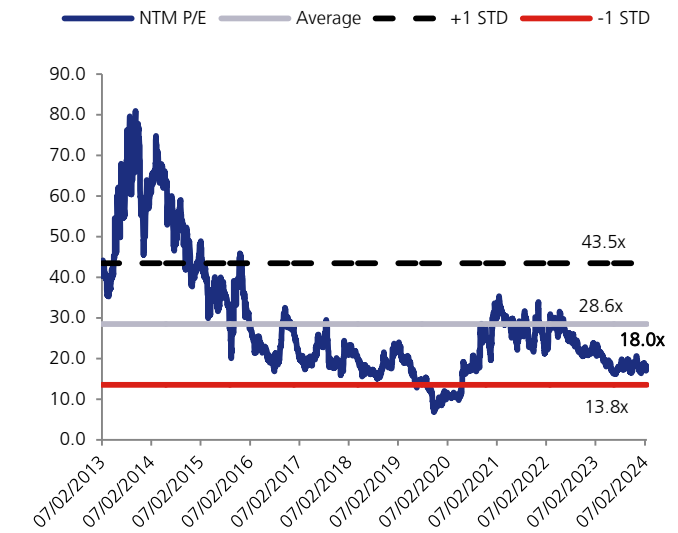
- **Key upside risks to our price target are:** (1) better-than-expected pick-up in the share of paid-listing; (2) higher-than-expected pricing growth in the core search segment; (3) any accretive acquisition not currently priced in.
- **Key downside risks are:** (1) significant market share loss to 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 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	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	8,448	10,429	11,857	13,468	15,251	
Sales Growth	30.6%	23.5%	13.7%	13.6%	13.2%	
Other Operating Income	0	0	0	0	0	
Total Revenue	8,448	10,429	11,857	13,468	15,251	
Cost of Goods Sold/Op. Exp	0	0	0	0	0	
Personnel Cost	6,510	7,198	7,229	8,102	9,045	
Other Expenses	1,080	1,066	1,191	1,414	1,632	
EBITDA	857	2,166	3,438	3,952	4,574	
EBITDA Margin	10.2%	20.8%	29.0%	29.3%	30.0%	
EBITDA Growth	0.0%	152.5%	58.7%	15.0%	15.7%	
Depn. & Amort.	322	462	474	490	498	
EBIT	536	1,704	2,963	3,462	4,076	
Other Income	1,343	2,962	3,129	3,481	3,880	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	1,878	4,666	6,092	6,943	7,956	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	1,878	4,666	6,092	6,943	7,956	
Taxes	251	1,036	585	1,389	1,591	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	1,627	3,629	5,507	5,555	6,365	
Adjusted Net Profit	1,627	3,629	5,507	5,555	6,365	
Net Margin	19.3%	34.8%	46.4%	41.2%	41.7%	
Diluted Share Cap. (mn)	85.0	85.1	85.0	85.0	85.0	
Diluted EPS (INR)	19.1	42.7	64.8	65.3	74.9	
Diluted EPS Growth	105.7%	122.8%	51.8%	0.9%	14.6%	
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

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	36,671	40,235	45,773	51,373	57,783	
Share Capital	843	850	850	850	850	
Reserves & Surplus	35,828	39,385	44,923	50,523	56,933	
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 (-)	368	1,114	1,114	1,114	1,114	
Total - Equity & Liab.	37,038	41,349	46,888	52,487	58,897	
Net Fixed Assets	1,823	1,466	1,482	1,530	1,605	
Gross Fixed Assets	4,789	4,562	5,053	5,591	6,163	
Intangible Assets	342	279	279	279	279	
Less: Depn. & Amort.	3,308	3,375	3,849	4,339	4,836	
Capital WIP	0	0	0	0	0	
Investments	40,512	46,077	46,077	46,077	46,077	
Current Assets	588	477	5,981	11,964	18,474	
Inventories	0	0	0	0	0	
Sundry Debtors	0	0	0	0	0	
Cash & Bank Balances	156	177	5,656	11,635	18,141	
Loans & Advances	8	3	29	33	37	
Other Current Assets	424	296	296	296	296	
Current Liab. & Prov.	5,885	6,670	6,652	7,084	7,259	
Current Liabilities	153	135	237	269	305	
Provisions & Others	5,732	6,535	6,415	6,815	6,954	
Net Current Assets	-5,297	-6,193	-671	4,880	11,215	
Total - Assets	37,038	41,349	46,888	52,487	58,897	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	536	1,704	2,963	3,462	4,076	
Depn. & Amort.	322	462	474	490	498	
Net Interest Exp. / Inc. (-)	0	0	0	0	0	
Inc (-) / Dec in WCap.	1,016	746	-43	428	171	
Others	97	0	31	45	45	
Taxes Paid	-183	-321	-585	-1,389	-1,591	
Operating Cash Flow	1,788	2,591	2,841	3,036	3,199	
Capex	-499	-147	-491	-538	-573	
Free Cash Flow	1,289	2,444	2,350	2,498	2,626	
Inc (-) / Dec in Investments	-1,362	-2,378	0	0	0	
Others	227	227	3,129	3,481	3,880	
Investing Cash Flow	-1,634	-2,298	2,638	2,943	3,307	
Inc / Dec (-) in Capital	8	7	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	-239	-279	0	0	0	
Others	0	0	0	0	0	
Financing Cash Flow	-231	-272	0	0	0	
Inc / Dec (-) in Cash	-77	21	5,479	5,980	6,506	
Opening Cash Balance	233	156	177	5,656	11,635	
Closing Cash Balance	156	177	5,656	11,635	18,141	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	19.3%	34.8%	46.4%	41.2%	41.7%	
Asset Turnover (x)	0.2	0.3	0.3	0.3	0.3	
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0	
RoE	4.5%	9.4%	12.8%	11.4%	11.7%	

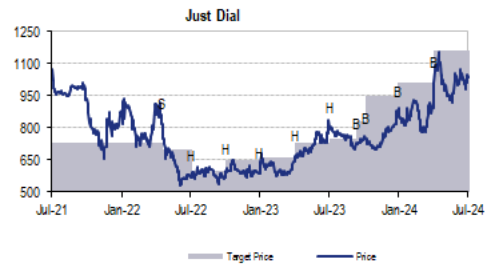
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	435.3	473.5	538.3	604.2	679.6	
ROIC	0.0%	0.0%	0.0%	0.0%	0.0%	
ROE	4.5%	9.4%	12.8%	11.4%	11.7%	
Net Debt/Equity (x)	-1.1	-1.1	-1.1	-1.1	-1.1	
P/E (x)	54.1	24.3	16.0	15.8	13.8	
P/B (x)	2.4	2.2	1.9	1.7	1.5	
EV/EBITDA (x)	55.2	19.3	10.5	7.7	5.2	
EV/Sales (x)	5.6	4.0	3.1	2.2	1.6	
Debtor days	0	0	0	0	0	
Inventory days	0	0	0	0	0	
Creditor days	7	6	10	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
13-Jan-24	Buy	1,010	6.3
18-Apr-24	Buy	1,160	14.9

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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