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Cash distribution roadmap – a key positive...

About the stock: Just Dial (JDL) generates revenues from advertisers on various subscription and fee-based packages. Reliance Retail Ventures Limited holds a 63.85% stake in JDL. Further, JDL's launch of B2B platform – "JD Mart" is likely to be a key revenue driver in the long run.

Q1FY25 Performance: Just Dial reported strong numbers with revenue of ₹ 280.57 crore, up 3.8% QoQ & 13.6% YoY. Paid campaigns increased by 1.4% QoQ/7.9% YoY to 591.7K (addition of 8K paid campaigns in Q1) while average pricing per paid campaign increased by 2.4% QoQ to ₹4,742. Further, the average realisations have grown 5.7% YoY. EBITDA margin improved by ~257 bps QoQ to 28.7%, aided by cost efficiencies.

Investment Rationale

- **Reiterates focus on B2B segment/Pricing lever:** The management stressed upon increased focus on the B2B segment which currently contributes about ~26% to revenues and ~40% to paid campaigns. The B2B segment offers better monetisation opportunities for the company and the aim is to increase B2B share in revenue to 1/3rd of the revenues. **The management reiterated its guidance for mid-teen (i.e., >15%) revenue growth on the back of volume growth and price hikes (lever to increase it for Tier 2 cities) with focus on higher revenue generating categories and geographies. We have baked in ~15.3% CAGR in revenues over FY24-26E to ₹ 1,387 crore**
- **Margin Outperformance continues:** The EBITDA margin came at 28.7%, up ~257 bps QoQ, aided by cost efficiencies in employee costs (increased employee productivity leading to decline of 5.3% YoY in employee expenses) and tightly controlled other expenses (down 2.5% YoY) led by optimisation of communication costs (group synergy). Going ahead, the company has guided for >25% EBITDA margins, for FY25 which we believe is easily achievable given the operating leverage. **We expect EBITDA margins of 27.7%/28.4% in FY25/FY26, respectively vs. 20.8% in FY24**
- **Cash utilisation roadmap – a key positive:** The company has cash & Investments of ₹4,755 crore (up 14.3% YoY). One of the key positives of Q1 was, management indication that it is evaluating the possibility of deploying a capital distribution policy with an intention to distribute 100% (or more) of its annual profits in a tax efficient way. **This clarity, removes the overhang of excess cash in the balance sheet which has depressed the return ratios.**

Rating and Target Price

- JDL's recent operational changes, increased focus on B2B segment coupled with its intention of crystallizing a capital distribution policy position it well for medium-long term growth. **We expect earnings growth of 20.7% over FY24-26.**
- We maintain our **BUY** rating on the stock and value it at **target price of ₹ 1,500; at 24x P/E on FY26E EPS vs 20x P/E assigned earlier.**

Key Financial Summary

(₹ crore)	FY22	FY23	FY24	5 year CAGR (FY19-24)	FY25E	FY26E	2 year CAGR (FY24-26E)
Net Sales	647	845	1,043	3.2	1,201	1,387	15.3
EBITDA	(2.2)	86	217	(1.1)	333	393	34.8
EBITDA Margins (%)	(0.3)	10.2	20.8		27.7	28.4	
Net Profit	71	163	363	11.9	492	529	20.7
EPS (₹)	8.5	19.3	42.7		57.9	62.2	
P/E	145.2	63.7	28.8		21.3	19.8	
RoNW (%)	2.0	4.4	9.0		11.5	11.9	
RoCE (%)	2.5	5.1	11.2		13.9	15.1	

Source: Company, ICICI Direct Research

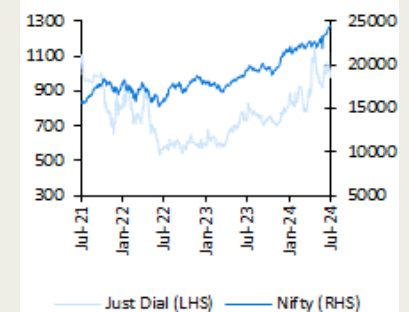
Particulars

Particular	Amount
Market Capitalization (₹ Crore)	10,459.9
Total Debt (₹ Crore)	-
Cash and Investments (₹ Crore)	4,625.4
EV (₹ Crore)	5,834.6
52 week H/L	1304 / 693
Equity capital	85.1
Face value	10.0

Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promoter:	74.3	74.3	74.3	74.2
FII	4.9	4.9	5.3	7.0
DII	9.4	8.9	8.2	8.9
Others	11.5	11.9	12.2	10.0

Price Chart



Key risks

- Extended Delay in decision regarding the capital distribution;
- Increased competition

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Performance highlights and Outlook

- **Revenue Performance:** JDL reported revenue of ₹280.57 crore, up 3.8% QoQ & 13.6% YoY in Q1FY25. EBITDA came at ₹80.6 crore while PAT came at ₹141.2 crore, up 69.3% YoY. Paid campaigns of the company increased by 1.4% QoQ/7.9% YoY to 591.7K (addition of 8K paid campaigns during the quarter), while average pricing per paid campaign increased by 2.4% QoQ to ₹4,742. Further, the average realisations have grown 5.7% YoY.
- **Margin Performance:** The company reported EBITDA of ₹80.6 crore, up 14% QoQ and EBITDA margin came at 28.7%, up ~257 bps QoQ while it achieved **EBIT margin of 24.6%, up ~276 bps QoQ in Q1FY25 which were aided by cost efficiencies in employee costs (increase in employee productivity across sales and non-sales functions leading to decline of 5.3% YoY in employee expenses) and tightly controlled other expenses (down 2.5% YoY) led by optimisation of communication costs (group synergy)**. The company now plans reinvest a portion towards advertising. Therefore, operating leverage coupled with cost control has helped in the sequential margin growth.
- **Cash and Investment:** Cash & Investments stood at ₹4,755 crore (up 14.3% YoY) and is currently deployed in 7.2% pre-tax yielding safe instruments.
- **Operational changes:** The management highlighted that it has eliminated the cold calling and tele-sales activities to a huge extent as the team now focuses on high-intent hot leads. Thus, focus is now on quality leads than the volume of leads. Additionally, it is pertinent to note that deployment of better analytics tools and internal dashboard provided to SMEs has helped improve the company's retention ratio from 55% to 60%
- **Update on Jio synergies:** The company mentioned that it is working closely with Jio teams, especially on telecom services such as messaging services (leading to some communication cost optimisation due to group synergies), internet connectivity and exploring cross selling opportunities.
- **Attrition and utilisation:** Total employee headcount for JDL stood at 13,112 employees vs 12,834 employees in the previous quarter i.e., addition of 278 employees during the quarter.
- **Other Income:** The other income stood at a normalised level of ₹86.9 crore vs ₹91.3 crore in the previous quarter which came primarily from MTM gains on treasury portfolio and interest income on tax-free bonds.
- **Tax rate:** Tax rate is presently on the lower side (effective tax rate = 8.2%) due to reversal of deferred tax on part of treasury which is moving from short term to long term bucket in FY25. It is expected that the effective tax rate for the full year would continue to be on the lower side due to the above-mentioned reason.

Exhibit 1: Quarter Performance

	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comments
Revenue	280.6	247.0	13.6	270.3	3.8	Revenue aided by growth in paid campaigns as well as avg price per paid campaign
Employee expenses	172.9	182.6	(5.3)	173.3	(0.3)	
Gross Margin	107.7	64.4	67.2	96.9	11.1	
Gross margin (%)	38.4	26.1	1230 bps	35.9	252 bps	
Other expenses	27.1	27.7	(2.5)	26.2	3.2	
EBITDA	80.6	36.7	119.8	70.7	14.0	
EBITDA Margin (%)	28.7	14.9	1389 bps	26.2	257 bps	
Depreciation & amortisation	11.7	10.0	16.6	11.8	(0.8)	
EBIT	68.9	26.7	158.6	58.9	17.0	
EBIT Margin (%)	24.6	10.8	1378 bps	21.8	276 bps	
Other income (less interest)	85.0	79.5	6.9	88.5	(4.0)	
PBT	153.9	106.1	45.0	147.4	4.4	
Tax paid	12.7	22.7	(44.2)	31.7	(60.0)	
PAT	141.2	83.4	69.3	115.7	22.0	Profitability aided by higher pricing per paid campaign and other cost efficiencies

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY23	FY24	FY25E	FY26E
Total Revenues	845	1,043	1,201	1,387
Growth (%)	30.6	23.5	15.1	15.5
COGS	651	720	753	863
Other Expenses	108	107	115	130
EBITDA	86	217	333	393
Growth (%)	(4,069.9)	152.5	53.7	18.2
Depreciation	32	46	51	56
Other Income	142	305	347	376
Interest paid	8	9	7	8
PBT	188	467	622	705
Growth (%)	125.5	148.4	33.3	13.4
Total Tax	25	104	130	176
PAT	163	363	492	529
Adjusted PAT	163	363	492	529
Adjusted PAT (Growth %)	129.7	123.0	35.6	7.4
EPS	19.3	42.7	57.9	62.2
EPS (Growth %)	103.3	121.2	35.6	7.4

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet ₹ crore

(Year-end March)	FY23	FY24	FY25E	FY26E
Equity	84	85	85	85
Reserves & Surplus	3,583	3,938	4,185	4,343
Networth	3,667	4,024	4,270	4,428
Minority Interest	-	-	-	-
Total Debt	-	-	-	-
Other long term liabilities	138	227	262	302
Source of funds	3,805	4,251	4,531	4,730
Net Block	148	119	126	109
CWIP	-	-	-	-
Other intangible assets&Goodwill	34	28	27	27
Other long term assets	32	28	33	36
Current investments	4,051	4,608	4,608	4,608
Other financial assets	11	15	17	20
Cash & Cash equivalents	16	18	403	718
Loans and advances	1	0	0	0
Other Current Assets	44	46	53	61
Trade payables	15	13	26	30
Other Current liabilities	504	585	698	807
Provisions	12	11	11	11

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY23	FY24	FY25E	FY26E
Net profit before Tax	188	466	622	705
Depreciation	32	46	51	56
(inc)/dec in Current Assets	(10)	(2)	(13)	(16)
(inc)/dec in current Liabilities	112	77	160	153
CF from operations	179	259	350	354
Other Investments	(114)	(253)	347	376
(Purchase)/Sale of Fixed Assets	(50)	23	(30)	(8)
CF from investing Activities	(163)	(230)	317	367
Inc / (Dec) in Equity Capital	1	1	-	-
Othes	(24)	(28)	(28)	(28)
Dividend & Buyback	-	-	(246)	(370)
Interest Paid on Loans	-	-	(7)	(8)
CF from Financial Activities	(23)	(27)	(281)	(406)
Cash generating during the year	(7)	2	385	315
Opening cash balance	22	16	18	403
Closing cash	16	18	403	718

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY23	FY24	FY25E	FY26E
Per share data (₹)				
EPS	19.3	42.7	57.9	62.2
BV per share	434.9	473.1	502.1	520.7
DPS	-	-	28.9	43.5
Cash per Share	1.8	2.1	47.4	84.4
Operating Ratios				
EBITDA Margin (%)	10.2	20.8	27.7	28.4
EBIT Margin (%)	6.3	16.3	23.5	24.3
PAT Margin (%)	19.3	34.8	41.0	38.1
Creditor days	7	5	8	8
Return Ratios (%)				
RoE	4.4	9.0	11.5	11.9
RoCE	5.1	11.2	13.9	15.1
Valuation Ratios (x)				
P/E	63.7	28.8	21.3	19.8
EV / EBITDA	74.6	26.9	16.4	13.1
Price to Book Value	2.8	2.6	2.4	2.4
EV / Net Sales	7.6	5.6	4.5	3.7
Market Cap / Sales	12.4	10.0	8.7	7.5
Solvency Ratios				
Debt/EBITDA	-	-	-	-
Debt / Equity	-	-	-	-
Current Ratio	0.1	0.1	0.1	0.1
Quick Ratio	0.1	0.1	0.1	0.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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