Just Dial Ltd. (JUSDIA)

ICICI direct Research

CMP: ₹ 1,005 | Target: ₹ 1,210 (20%) | Target Period: 12 months | BUY

July 8, 2024

Poised for a healthy growth ahead...

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
- JDL's launch of B2B platform – "JD Mart" is likely to be a key revenue driver in the long run

FY24 Performance: The company reported decent results in the quarter and ended FY24 with a strong 23.5% revenue growth on the back of healthier collections. The company's margins also improved significantly during the year from 10.2% in FY23 to 20.8% in FY24.

Investment Rationale

- **Increase in Tier2 and Tier 3 cities ARPU; JD Mart to drive B2B segment:** The management highlighted the increasing share of Tier 2 and 3 cities in the revenue stream. The average monthly ticket size for Tier 1 cities is ₹2,200, while for Tier 2 or Tier 3 cities it is approx. ₹1,100-₹1,200. The company believes there is significant potential for ARPU growth in Tier2/3 cities, given that they are currently priced at about 50% of Tier 1 cities. JDL also expects the B2B segment to contribute 1/3rd of the total revenues in the next 1-2 years vs ~26% currently, driven by JD Mart. **The company has guided for >15% revenue growth on the back of volume growth and price hikes in FY25. We believe the company's revenue will grow at CAGR of 15% between FY24-26E to ₹ 1379 crore, compared to CAGR of 3.2% between FY19-24**
- **Automation drives employee efficiency; Further headroom for margin expansion:** The company has implemented automation in various parts of the business which contributed to lower manpower requirements. Several initiatives like the self-signup for SMEs to start paid campaigns, electronic clearing system (ECS) that deducts the monthly subscription fee automatically on a monthly basis, automation & use of tech in non-sales functions such as banner creation have reduced manpower dependency for certain tasks and increased productivity and customer stickiness leading to improved margins, Furthermore, the management sees ample headroom for margin expansion on the back of volume growth and price hikes. **It has guided for >30% growth in EBITDA in FY25 with focus on higher revenue generating categories and geographies. We expect EBITDA margins of 24.5%/26% in FY25/FY26, respectively vs. 20.8% in FY24.**

Rating and Target Price

- Given the company's focus on Tier2/3 cities. Healthy volume growth, prices hikes and other initiatives, **we expect strong earnings growth of ~19% over FY24-26.**
- We assign **BUY** rating on the stock and value it at **target price of ₹ 1,210; at 20x P/E on FY26E EPS.**

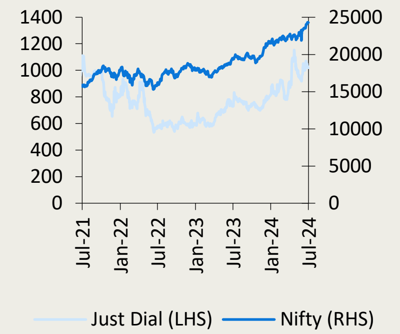
Particulars

₹ crore	Amount
Market Cap	8,547
Total Debt	-
Cash & Inv	4,625
EV	3,921
52 week H/L (₹)	1163/ 695
Equity capital	85.0
Face value (₹)	10.0

Shareholding pattern

	Jun-23	Sep-23	Dec-23	Mar-24
Promoters	74.3	74.3	74.3	74.3
FII	5.3	4.9	4.9	5.3
DII	9.1	9.4	8.9	8.2
Others	11.2	11.5	11.9	12.2

Price Chart



Key risks

- Slower than anticipated growth in paid campaigns and listings;
- Increased competition

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Company Update

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ crore	FY21	FY22	FY23	FY24	5 year CAGR (FY19-24)	FY25E	FY26E	2 year CAGR (FY24-26E)
Net Sales	675	647	845	1,043	3.2	1,197	1,379	15.0
EBITDA	155	(2.2)	86	217	(1.1)	293	359	28.7
EBITDA Margins (%)	22.9	(0.3)	10.2	20.8		24.5	26.0	
Net Profit	214	71	163	363	11.9	436	513	18.9
EPS (₹)	33.0	8.5	19.3	42.7		51.2	60.4	
P/E	30.4	118.6	52.1	23.5		19.6	16.7	
RoNW (%)	16.9	2.0	4.4	9.0		9.8	10.9	
RoCE (%)	19.0	2.5	5.1	11.2		12.4	13.8	

Source: Company, ICICI Direct Research

Key takeaways from recent quarter

Q4FY24 results key takeaways:

- **B2B segment performance and expectations**: Currently B2B segment contributes approx. 26% in the revenues and it is expected to contribute 1/3rd of the total revenues in the next 1-2 years. This shall be achieved on the back of initiatives like the launch of JD Mart app which is an exclusive B2B platform.

- **Increased customer stickiness:** The customer churn has come down and the 1-year retention rate stands at 55%. This has largely been possible through the auto renewal feature in the 'monthly plan', executed through the ECS. This has led to more customers continuing on the platform with active paid campaigns.

- **Cash and Investment**: Cash & Investments for FY24 stood at ₹4,625.4 crore and is currently deployed in 7.2% pre-tax yielding safe instruments. The Board has not yet taken any concrete decision w.r.t deploying or distributing the accumulated cash balance. The current focus is to grow the free cash flows.

Q4FY24 Earnings Conference Call Highlights:

- **Revenue Performance**: JDL reported revenue of ₹270.3 crore, up 2% QoQ/ 16.2% YoY in Q4FY24. EBITDA came at ₹70.7 crore while PAT came at ₹115.7 crore, up 38.4% YoY. Paid campaigns of the company increased by 3% QoQ/8.4% YoY to 583.7K (addition of 16.7K paid campaigns during the quarter), while average pricing per paid campaign declined by 1% QoQ to ₹4,630. Further, the quarterly collections stood at ₹305 crore, up 13.8% YoY. For FY24 the company reported revenue of ₹1,042.9 crore, up 23.5%. The company reported EBITDA of 20.8% compared to 10.2% in FY23 and its PAT stood at ₹ 362.9 crore in FY24.

- **Margin Performance**: The company achieved EBIT margin of 21.8% in Q4FY24 aided by top line growth and cost efficiencies in employee costs (bottom 10-15% of employees were churned out), advertising costs and other expenses as well as some optimisation of communication costs. Other expenses were tightly controlled and witnessed 2.2% YoY decline, led by 12% lesser advertising spend on YoY basis. Further use of tech and automation has also helped company improve its margins. The company now plans to maintain the margin at these levels and reinvest a portion towards advertising.

- **Attrition and utilisation**: Total employee headcount for JDL stood at 12,834 employees vs 13,954 employees in the previous quarter. The decline witnessed in FY24 is a result of optimisation across both sales and non-sales functions. In non-sales function, automation and use of tech has allowed JDL to reduce manpower dependency for certain tasks such as banner creation. The company remains open to add 4-5% workforce in the coming year as SMEs still require a lot of handholding in the registration process.

- **Other Income**: The company recognised ₹91.3 crore (up 23.1% YoY/21.9% QoQ) as other income which came primarily from MTM gains on treasury portfolio and interest income on tax-free bonds.

- **Tax rate:** Tax rate is presently on the higher side (effective tax rate = 21.5%) due to MTM gains being short term in nature due to which the provision for tax rates is made at full tax rate. There will be some reversal in tax provisions done so far, so overall tax rate is expected to be lower for FY 25.

- **Margin Guidance/Aspiration**: The management guided for >15% revenue growth on the back of volume growth and price hikes and >30% EBITDA growth for FY26 with focus on higher revenue generating categories and geographies.

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

	FY23	FY24	FY25E	FY26E
Total Revenues	**845**	**1,043**	**1,197**	**1,379**
Growth (%)	30.6	23.5	14.8	15.2
COGS	651	720	784	883
Other Expenses	108	107	120	138
EBITDA	**86**	**217**	**293**	**359**
Growth (%)	(4,069.9)	152.5	35.4	22.3
Depreciation	32	46	53	60
Other Income	142	305	347	393
Interest paid	8	9	6	7
PBT	188	467	581	684
Growth (%)	125.5	148.4	24.5	17.8
Total Tax	25	104	145	171
PAT	163	363	436	513
Adjusted PAT	**163**	**363**	**436**	**513**
Adjusted PAT (Growt	129.7	123.0	20.0	17.8
EPS	19.3	42.7	51.2	60.4
EPS (Growth %)	103.3	121.2	20.0	17.8

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

	FY23	FY24	FY25E	FY26E
Net profit before Tax	188	466	581	684
Depreciation	32	46	53	60
(inc)/dec in Current Assets	(10)	(2)	(13)	(16)
(inc)/dec in current Liabilities	112	77	157	150
CF from operations	**179**	**259**	**292**	**322**
Other Investments	(114)	(253)	(53)	(7)
(Purchase)/Sale of Fixed Assets	(50)	23	(30)	(8)
CF from investing Activities	**(163)**	**(230)**	**(83)**	**(16)**
Inc / (Dec) in Equity Capital	1	1	-	-
Othes	(24)	(28)	(28)	(28)
Dividend & Buyback	-	-	-	(257)
Interest Paid on Loans	-	-	(6)	(7)
CF from Financial Activities	**(23)**	**(27)**	**(34)**	**(292)**
Cash generated	(7)	2	174	14
Opening cash balance	22	16	18	192
Closing cash	**16**	**18**	**192**	**206**

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

	FY23	FY24	FY25E	FY26E
Equity	84	85	85	85
Reserves & Surplus	3,583	3,938	4,374	4,631
Networth	3,667	4,024	4,459	4,716
Minority Interest	-	-	-	-
Total Debt	-	-	-	-
Other long term liabil	138	227	261	301
Source of funds	**3,805**	**4,251**	**4,720**	**5,016**
Net Block	148	119	125	106
CWIP	-	-	-	-
Other intangible asse	34	28	27	27
Other long term asset	32	28	31	32
Current investments	4,051	4,608	5,008	5,408
Other financial assets	11	15	17	20
Cash & Cash equivale	16	18	192	206
Loans and advances	1	0	0	0
Other Current Assets(	44	46	53	61
Trade payables	15	13	26	30
Other Current liabiliti	504	585	696	802
Provisions	12	11	11	11
Application of funds	**3,805**	**4,251**	**4,720**	**5,016**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY23	FY24	FY25E	FY26E
Per share data (₹)				
EPS	19.3	42.7	51.2	60.4
BV per share	434.9	473.1	524.3	554.5
DPS	-	-	-	30.2
Cash per Share	1.8	2.1	22.6	24.2
Operating Ratios				
EBITDA Margin (%)	10.2	20.8	24.5	26.0
EBIT Margin (%)	6.3	16.3	20.1	21.7
PAT Margin (%)	19.3	34.8	36.4	37.2
Creditor days	7	5	8	8
Return Ratios (%)				
RoE	4.4	9.0	9.8	10.9
RoCE	5.1	11.2	12.4	13.8
Valuation Ratios (x)				
P/E	52.1	23.5	19.6	16.7
EV / EBITDA	52.2	18.1	11.4	8.2
Price to Book Value	2.3	2.1	1.9	1.8
EV / Net Sales	5.3	3.8	2.8	2.1
Market Cap / Sales	10.1	8.2	7.1	6.2
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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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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