

JUST DIAL

Dialing in right numbers

India Equity Research | IT

Just Dial (JD) reported a strong Q4FY19 with revenue growing 15.8% YoY (beating Street's expectation of 13.1%) and taking the overall FY19 growth to 14%. Key highlights: 1) Operating leverage and cost control lifted EBITDA margin to 25.3% (up 100bps QoQ). 2) Strong growth in paid campaigns led to 12.5% YoY growth in paid campaigns while realisations increased 3% YoY. 3) Unearned revenue maintained strong traction, up 21.8% YoY to INR4bn, which indicates revenue growth would sustain in coming quarters. 4) Strong growth in user engagement matrices continued with traffic and app downloads up 24.7% YoY and 19.2% YoY, respectively. We remain bullish on JD based on its improving growth trajectory, sustained traction in user engagement matrices, and attractive valuation (14.2x FY21E EPS). Maintain 'BUY' with a TP of INR680.

Pickup in Tier II and Tier III cities lifts revenue

JD is witnessing increased traction in Tier II and Tier III cities, which are contributing ~60% of incremental revenue. In Q4FY19, Tier II and Tier III cities accounted for about 27% of total revenue and a 47% share of total campaigns. While the mix change can affect realisation, we believe JD can sustain revenue growth, riding monetisation of strong growth in user engagement matrices. Unearned revenue at INR4bn too would help sustain revenue growth.

Operating leverage aids margin

Operating leverage coupled with management focus on cost control led to a 100bps QoQ increase in EBITDA margin to 25.3%. Adjusting for ESOP expenses incurred during the quarter, EBITDA margin works out to 26.1%. We expect JD's operating margin to improve on the back of acceleration in revenue growth via expansion of database and increased penetration in Tier II and Tier III cities.

Outlook and valuation: Fundamentals buoyant; maintain 'BUY'

We remain optimistic on JD's potential to sustain high revenue growth on the back of its strong user engagement matrix and robust unearned revenue. EBITDA margin can improve further given high operating leverage. Considering the company's robust cash generation and high returns ratios, we believe the stock is trading at an attractive 17.3x FY20E EPS. We maintain 'BUY' with a target price of INR680 (20x Q2FY21E EPS).

Financials

(INR mn)

Year to March	Q4FY19	Q3FY19	Growth (%)	Q4FY18	Growth (%)	FY19	FY20E	FY21E
Revenue	2,323	2,268	2.4	2,005	15.9	8,915	10,362	11,859
EBITDA	588	552	6.6	458	28.5	2,289	2,644	3,098
Adjusted profit	626	573	9.1	390	60.5	2,068	2,110	2,566
Adj. dil. EPS (INR)	9.6	8.5	13.2	5.8	66.3	30.9	32.4	39.4
Diluted P/E (x)						18.2	17.3	14.2
EV/EBITDA (x)						10.6	7.8	5.5
EV/Revenues (x)						2.7	2.0	1.4

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: JUST.BO, B: JUST IN)

CMP	: INR 562
Target Price	: INR 680
52-week range (INR)	: 677 / 401
Share in issue (mn)	: 64.8
M cap (INR bn/USD mn)	: 36 / 516
Avg. Daily Vol.BSE/NSE('000)	: 3,592.6

SHARE HOLDING PATTERN (%)

	Current	Q3FY19	Q2FY19
Promoters *	33.9	33.9	33.9
MF's, FI's & BK's	9.8	9.8	9.0
FII's	41.8	41.8	36.3
Others	14.5	14.5	20.8
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Technology Index
1 month	(2.6)	(2.6)	(0.7)
3 months	16.9	3.1	(0.8)
12 months	30.7	5.2	18.2

Sandip Agarwal

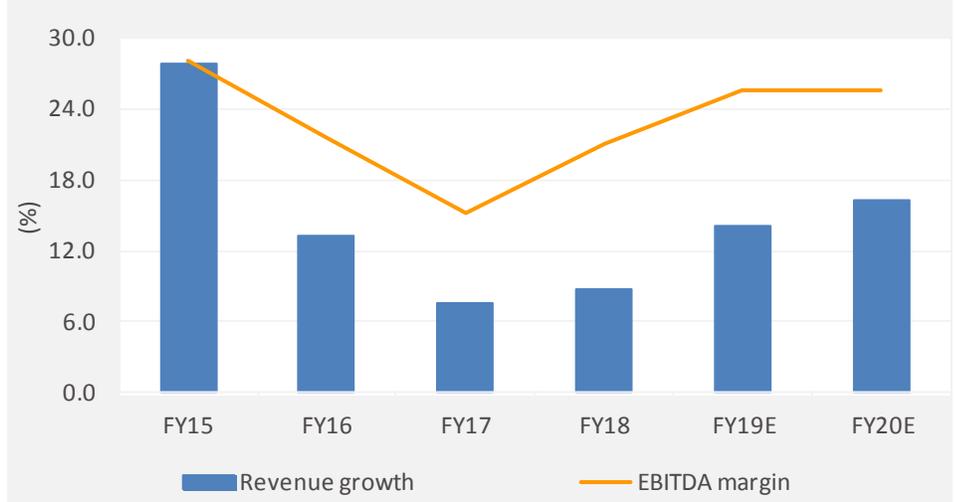
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Chart 1: Revenue growth likely to accelerate



Source: Company, Edelweiss research

Table 1: Key operating metrics

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Listings ('000)	18,800	19,800	20,700	21,800	22,700	23,800	24,800	25,700
QoQ growth(%)	5.0	5.3	4.5	5.3	4.1	4.8	4.2	3.6
YoY growth(%)	13.3	17.2	19.7	21.8	20.7	20.2	19.8	17.9
Campaigns ('000)	436.0	439.7	440.6	445.1	452.9	470.6	485.4	500.8
QoQ growth(%)	0.1	0.9	0.2	1.0	1.8	3.9	3.1	3.2
YoY growth(%)	12.0	7.6	3.7	2.2	3.9	7.0	10.2	12.5
Campaigns as % of listings	2.3	2.2	2.1	2.0	2.0	2.0	2.0	1.9

Source: Company, Edelweiss research

Chart 2: Traffic (unique visitors)

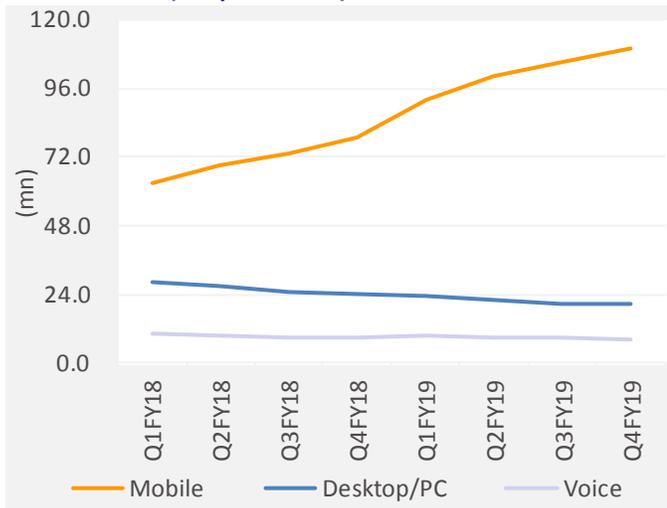
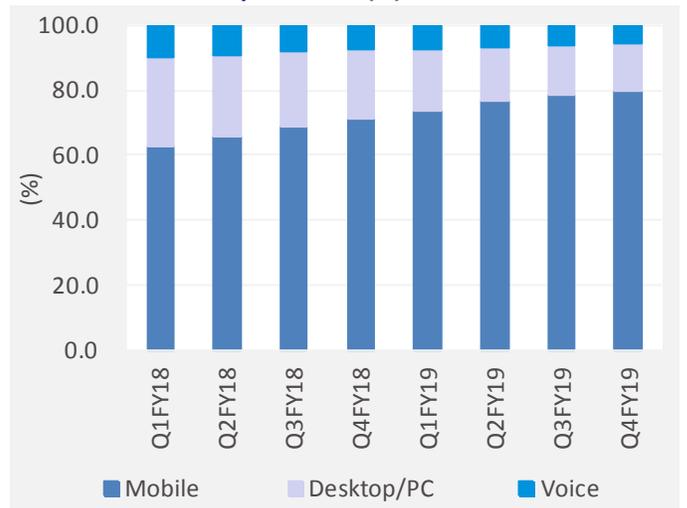
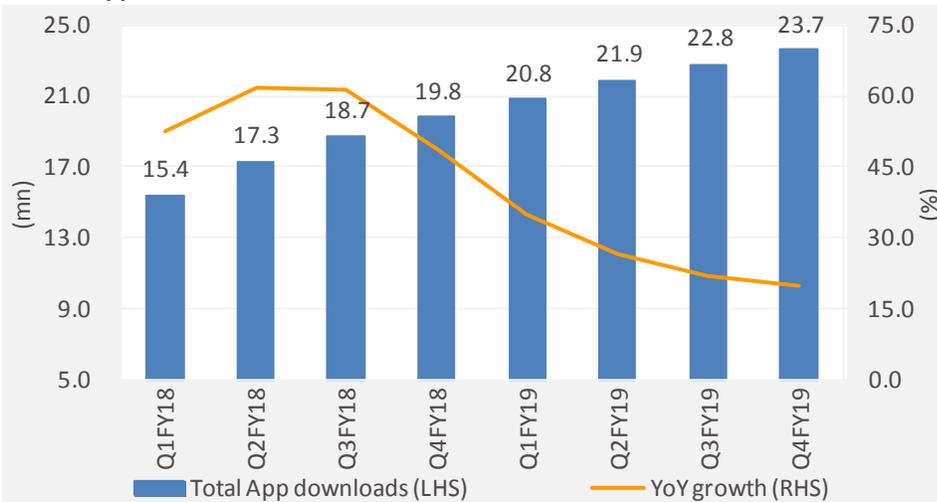


Chart 3: Share of unique visitors (%)



Source: Company, Edelweiss research

Chart 4: App downloads



Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q4FY19	Q3FY19	% Change	Q4FY18	% Change	FY19	FY20E	FY21E
Net revenues	2,323	2,268	2.4	2,005	15.9	8,915	10,362	11,859
Staff costs	1,296	1,258	3.0	1,189	9.0	4,971	5,697	6,448
Gross profit	1,027	1,010	1.7	816	25.8	3,944	4,665	5,410
General & admin exp	438	458	(4.3)	358	22.4	1,655	2,021	2,312
EBITDA	588	552	6.6	458	28.5	2,289	2,644	3,098
Depreciation	83	86	(3.3)	84	(1.9)	337	342	380
EBIT	506	466	8.5	374	35.4	1,952	2,302	2,718
Other income	322	341	(5.7)	166	93.4	929	876	1,148
Add: Prior period items								
Profit before tax	827	807	2.5	540	53.3	2,881	3,179	3,865
Provision for taxes	202	234	(13.7)	150	34.3	813	1,069	1,299
Reported net profit	626	573	9.1	390	60.5	2,068	2,110	2,566
Adjusted Profit	626	573	9.1	390	60.5	2,068	2,110	2,566
Diluted shares (mn)	65	68		67		67	65	65
Adjusted Diluted EPS	9.6	8.5	13.2	5.8	66.3	30.9	32.4	39.4
Diluted P/E (x)						18.2	17.3	14.2
EV/EBITDA (x)						10.6	7.8	5.5
EV/Revenues (x)						2.7	2.0	1.4
Gross profit	44.2	44.5		40.7		44.2	45.0	45.6
Admin exp	18.9	20.2		17.9		18.6	19.5	19.5
EBITDA	25.3	24.3		22.8		25.7	25.5	26.1
Adjusted net profit	26.9	25.3		19.4		23.2	20.4	21.6
Tax rate	24.4	28.9		27.8		28.2	33.6	33.6

Company Description

JustDial is an classifieds search company. Incorporated as A&M Communications in 1993 and later renamed as JustDial (2006), it initially offered a fixed line voice-based service dispensing information on whatever a user needed to locate. It provides local services for India through multiple platforms such as internet, mobile internet, over the telephone (voice) and text (SMS). Its internet and mobile internet services were launched in 2007. As of Q3FY19, the company is running ~0.49mn campaigns for paid advertisers and has 24.8mn listings. For TTM, the company reported revenue INR8.6bn.

Investment Theme

Classified advertising has undergone a paradigm shift towards online from print media with a large chunk of businesses shifting to the former. Moreover, the much anticipated jump in internet usage over the next few years is bound to further fuel this segment, presenting a humungous growth opportunity to relevant players. However competitive intensity has moved from vertical services providers to horizontal services provider. The competitive intensity has impacted revenue growth and forced horizontal vendors to refine their business model.

Key Risks

- Increasing competition in internet space
- Success of transaction model can impact estimates
- Waning voice search growth
- Concentration in large cities

Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	6.7	7.1	7.1	7.3
Inflation (Avg)	3.6	3.7	4.0	4.5
Repo rate (exit rate)	6.0	6.3	5.8	5.8
USD/INR (Avg)	64.5	70.0	72.0	72.0
Company				
Campaigns	445,110	500,838	563,591	574,863
YoY growth	2.2	12.5	12.5	2.0
Revenue per campaign	17,564	17,800	18,386	20,629
YoY growth	6.4	1.3	3.3	12.2
Other Cost (% of rev.)				
Cost of rev. (% of rev.)	56.5	55.8	55.0	54.4
Financial assumptions				
Tax rate as % of PBT	26.1	28.2	33.6	33.6
Capex (INR mn)	211	109	400	400
Payable days	324	349	362	368
Cash conversion cycle	(324)	(349)	(362)	(368)

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Net revenue	7,818	8,915	10,362	11,859
Cost of revenues	4,416	4,971	5,697	6,448
Gross profit	3,402	3,944	4,665	5,410
Total SG&A expenses	1,758	1,655	2,021	2,312
EBITDA	1,644	2,289	2,644	3,098
Depreciation	364	337	342	380
EBIT	1,280	1,952	2,302	2,718
Add: Other income	658.6	928.7	876.3	1,147.98
Profit Before Tax	1,939	2,881	3,179	3,865
Less: Provision for Tax	507	813	1,069	1,299
Reported Profit	1,432	2,068	2,110	2,566
Adjusted Profit	1,432	2,068	2,110	2,566
Shares o /s (mn)	68	67	65	65
Adjusted Basic EPS	21.0	31.0	32.5	39.5
Diluted shares o/s (mn)	68	67	65	65
Adjusted Diluted EPS	20.9	30.9	32.4	39.4
Adjusted Cash EPS	26.3	36.0	37.7	45.3

Common size metrics

Year to March	FY18	FY19	FY20E	FY21E
Cost of revenues	56.5	55.8	55.0	54.4
Gross margin	43.5	44.2	45.0	45.6
SG&A expenses	22.5	18.6	19.5	19.5
EBITDA margins	21.0	25.7	25.5	26.1
EBIT margins	16.4	21.9	22.2	22.9
Net Profit margins	18.3	23.2	20.4	21.6

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	8.8	14.0	16.2	14.4
EBITDA	50.0	39.2	15.5	17.1
PBT	23.9	48.6	10.3	21.6
Adjusted Profit	18.0	44.4	2.0	21.6
EPS	20.6	47.8	4.9	21.6

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	674	648	648	648	
Reserves & Surplus	9,120	9,339	11,449	14,015	
Shareholders' funds	9,793	9,986	12,096	14,662	
Def. Tax Liability (net)	(124)	173	173	173	
Sources of funds	9,669	10,159	12,269	14,835	
Gross Block	3,293	3,402	3,802	4,202	
Net Block	1,489	1,262	1,319	1,339	
Total Fixed Assets	1,489	1,321	1,379	1,398	
Cash and Equivalents	12,003	13,228	15,982	19,340	
Other Current Assets	485	942	1,036	1,140	
Current Assets (ex cash)	485	942	1,036	1,140	
Trade payable	4,251	5,263	6,052	6,960	
Other Current Liab	57	69	76	83	
Total Current Liab	4,308	5,332	6,128	7,044	
Net Curr Assets-ex cash	(3,823)	(4,390)	(5,092)	(5,903)	
Uses of funds	9,669	10,159	12,269	14,835	
BVPS (INR)	143.5	149.5	186.0	225.5	

Free cash flow		(INR mn)			
Year to March	FY18	FY19	FY20E	FY21E	
Reported Profit	1,432	2,068	2,110	2,566	
Add: Depreciation	364	337	342	380	
Others	(355)	(929)	(876)	(1,148)	
Less: Changes in WC	(821)	(567)	(702)	(812)	
Operating cash flow	2,262	2,043	2,278	2,610	
Less: Capex	211	109	400	400	
Free Cash Flow	2,052	1,934	1,878	2,210	

Cash flow metrics		FY18	FY19	FY20E	FY21E
Year to March					
Operating cash flow		2,262	2,043	2,278	2,610
Financing cash flow		(842)	(26)	-	-
Investing cash flow		(1,370)	(577)	(1,024)	(252)
Net cash Flow		50	1,439	1,254	2,358
Capex		(211)	(109)	(400)	(400)

Profitability and efficiency ratios		FY18	FY19	FY20E	FY21E
Year to March					
ROAE (%)		15.2	20.9	19.1	19.2
ROACE (%)		20.6	29.1	28.8	28.9
Payable Days		324	349	362	368
Cash Conversion Cycle		(324)	(349)	(362)	(368)
Current Ratio		2.9	2.7	2.8	2.9

Operating ratios		FY18	FY19	FY20E	FY21E
Year to March					
Total Asset Turnover		0.8	0.9	0.9	0.9
Fixed Asset Turnover		5.1	6.5	8.0	8.9
Equity Turnover		0.8	0.9	0.9	0.9

Valuation parameters		FY18	FY19	FY20E	FY21E
Year to March					
Adj. Diluted EPS (INR)		20.9	30.9	32.4	39.4
Y-o-Y growth (%)		20.6	47.8	4.9	21.6
Adjusted Cash EPS (INR)		26.3	36.0	37.7	45.3
Diluted P/E (x)		26.8	18.2	17.3	14.2
P/B (x)		3.9	3.8	3.0	2.5
EV / Sales (x)		3.4	2.7	2.0	1.4
EV / EBITDA (x)		16.0	10.6	7.8	5.5

Additional Data

Directors Data

B. Anand	Chairman and Independent Non-Executive Director	V.S.S. Mani	Managing Director
Ramani Iyer	Non-Independent, Non-Executive Director	V. Krishnan	Non-Independent, Executive Director
Pulak Prasad	Non-Independent, Non-Executive Director	Sanjay Bahadur	Independent, Non-Executive Director
Malcolm Monteiro	Independent, Non-Executive Director	Anita Mani	Non-Independent, Non-Executive Director

Auditors - S. R. Batliboi & Associates LLP

**as per last annual report*

Holding – Top10

	Perc. Holding	Perc. Holding
No Data Available		

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
04 Apr 2019	MORGAN STANLEY FRANCE SAS	SELL	378115	579.55
18 Mar 2019	MORGAN STANLEY FRANCE SAS	BUY	407312	639.34
12 Oct 2018	New York State Common Retirement Fund	Buy	416753	471.39
26 Jul 2018	ACADIAN EMERGING MARKETS SMALL-CAP EQUITY FUND LLC	BUY	347853	565.52
01 Jun 2018	ISHANA CAPITAL MASTER FUND	BUY	425600	583.12

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
25 Mar 2019	Jaimin Shah	Sell	15000.00
15 Jan 2019	V. Krishnan	Sell	22842.00
15 Jan 2019	V S S Mani	Sell	746441.00
15 Jan 2019	Ramani Iyer	Sell	40280.00
15 Jan 2019	Anita Mani	Sell	22979.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Cyient	BUY	SP	H	ECLERX SERVICES	BUY	SP	M
HCL Technologies	BUY	SP	H	Hexaware Technologies	HOLD	SP	M
Info Edge	BUY	SP	M	Infosys	BUY	SO	L
Just Dial	BUY	SO	M	L&T Infotech Ltd	BUY	SO	M
L&T Technology Services Ltd	BUY	SO	M	Persistent Systems	BUY	SP	L
Redington India Ltd	BUY	SO	L	Tata Consultancy Services	HOLD	SP	L
Tech Mahindra	BUY	SP	M	Wipro	HOLD	SP	L

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Coverage group(s) of stocks by primary analyst(s): IT

Cyient, ECLERX SERVICES, HCL Technologies, Hexaware Technologies, Infosys, Info Edge, Just Dial, L&T Infotech Ltd, L&T Technology Services Ltd, Persistent Systems, Redington India Ltd, Tata Consultancy Services, Tech Mahindra, Wipro

Recent Research

Date	Company	Title	Price (INR)	Recos
09-May-19	HCL Technologies	Acquisitions to boost growth; <i>Result Update</i>	1137	Buy
03-May-19	L&T Technology Services	Strong FY19 exit; FY20 outlook sanguine ; <i>Result Update</i>	1691	Buy
03-May-19	Cognizant	Revenue guidance cut; digital sustains momentum ; <i>Global Pulse</i>		Not Rated

Distribution of Ratings / Market Cap

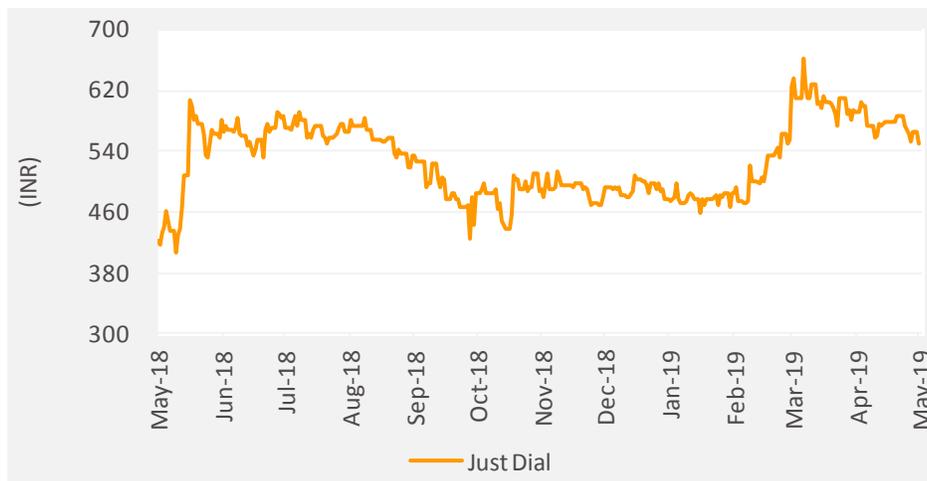
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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