

CMP	Target	Rating
Rs.469	Rs.420	SELL

## How does our one year outlook change?

- Just Dial (JD) 1QFY17 revenues came in lower than estimates due to increased contribution from Tier 2 and Tier 3 cities which typically have lower average revenues per listing. The core business revenues took a major hit and grew 3% yoy (vs 12.5% yoy in 4QFY16), while the contribution from JD Omni business stood at Rs.55m in 1QFY17. The average revenues per listing is now down 8% qoq and yoy, down for six consecutive quarters implying competitive intensity in the core business in addition to shift towards Tier-II and III cities. We believe with increasing competition, especially from Google, along with the vertical players, the revenue growth would continue to be weak in the coming quarters and might recover to c12% yoy in FY18 provided JD spends more on campaigns and increase the contribution from Tier 1 cities. **Reiterate SELL with TP of Rs.420** (ascribing 20x to FY18 EPS).
- EBITDA margin in 1QFY17 contracted c.11% driven by low revenue growth. With the company planning to launch commercials of Search Plus from the month of September, the margins are likely to be impacted for FY17E. However, we are not very optimistic about this spending as we believe the bigger and more experienced players like Uber, Ola, Zomato, Bookmyshow, makemytrip etc provide better gratification experience.
- JD Omni's contribution increased to 55m vs 36m in Q4 and is a positive sign but we would wait for the next few quarters to see if this trend continues and offsets pressure in core search business. The challenge for Omni will be to retain customer base from year 2 onwards while adding new customers

## How does our 3 year Outlook change?

We see JD's revenue growth moderating to more realistic 10-14% levels over the next three years as it faces challenges in monetizing Search Plus; and grapple with competition in its core local listings segment driven by strong execution by Google and probable entry of Facebook in this segment in India. We believe this time the risk of competition is definitely higher than earlier instances. On the margin side we see headwinds from increased spending on search plus and also to convert the listings in Tier II and III cities from free to paid, JD would need to invest in the sales team, which can be done either by increasing the sales executive (tele-sales or on-ground) or increasing the JD Ambassador team.

1QFY17 Update				18 Aug 2016	
Promoters	32.5			Bloomberg	JUST IN
Institutions	59.8			Shares o/s	69mn
Public	7.7			Market Cap	Rs.33bn
%	1m	3m	12m	52-wk High-Low	Rs. 1,078-376
JUST	-15%	-36%	-54%	3m Avg. Daily Vol	Rs. 1,081mn
Sensex	1%	9%	0%	Index	BSE 200
CNXIT	1%	-3%	-10%		

## Key estimate revision

	FY17E			FY18E		
	Old	New	Change	Old	New	Change
Revenue	8,048	7,538	-6%	9,301	8,478	-9%
EBITDA	1,567	1,220	-22%	2,218	1,695	-24%
Margin (%)	19.5%	16.2%	-328bps	23.8%	20.0%	-385bps
PAT	1,191	1,276	7%	1,612	1,468	-9%
EPS	17.1	18.4	8%	23.2	21.1	-9%

All figures in Rs. mn, except EPS, which is in Rs.

## Financial summary

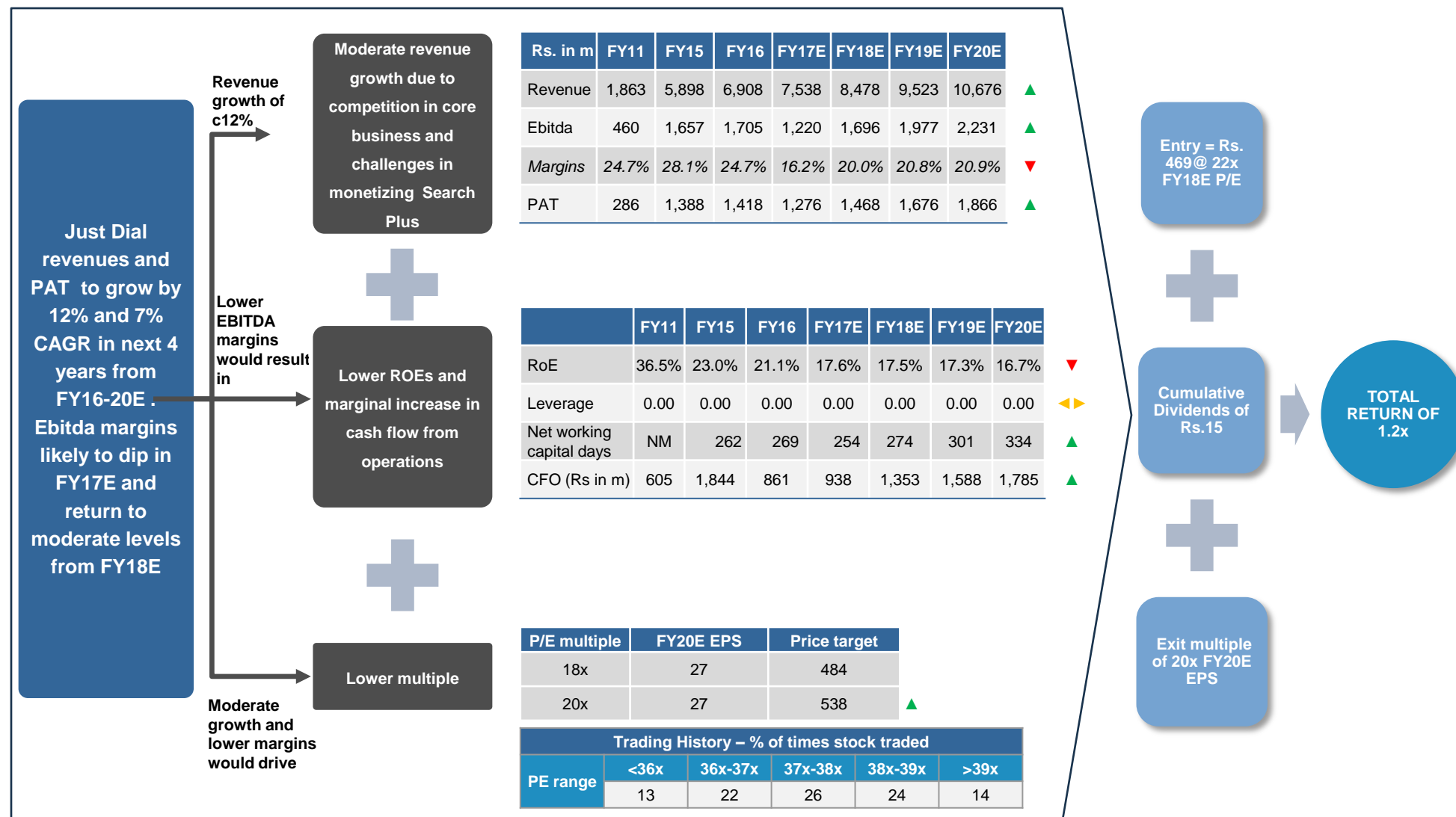
Year	Revenues (Rs. mn)	EBITDA Margin (%)	EPS (Rs.)	P/E (x)	EV/EBITDA(x)	ROE (%)
FY14	4,613	31%	17.2	27.2	19.7	25%
FY15	5,898	28%	19.8	23.7	16.8	23%
FY16E	6,908	25%	20.1	23.3	14.8	21%
FY17E	7,538	16%	18.4	25.5	20.9	18%
FY18E	8,478	20%	21.1	22.2	14.4	17%

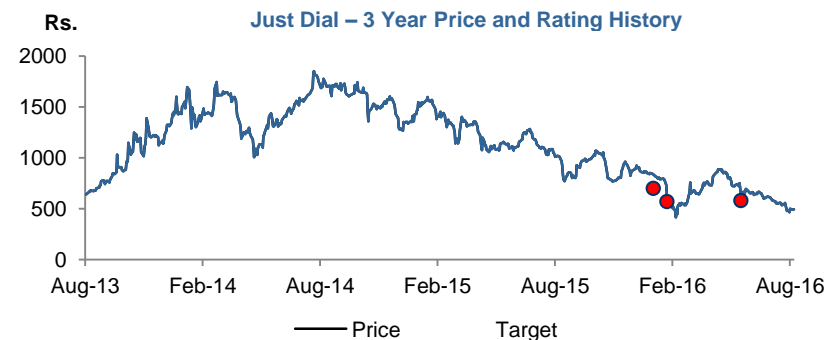
Abridged financial statements				
Rs.mn	FY15	FY16	FY17E	FY18E
<b>Profit &amp; Loss</b>				
Sales	5,898	6,908	7,538	8,478
Cost of Revenues	3,088	3,774	4,685	5,376
G&A expenses	1,154	1,429	1,633	1,407
<b>EBITDA</b>	<b>1,657</b>	<b>1,705</b>	<b>1,220</b>	<b>1,695</b>
Depreciation	-241	-311	-381	-442
<b>EBIT</b>	<b>1,416</b>	<b>1,394</b>	<b>839</b>	<b>1,253</b>
Other income	489	585	767	593
Finance charges	0	0	0	0
<b>PBT</b>	<b>1,904</b>	<b>1,979</b>	<b>1,605</b>	<b>1,846</b>
Tax	-516	-561	-329	-378
<b>PAT</b>	<b>1,388</b>	<b>1,418</b>	<b>1,276</b>	<b>1,468</b>
<b>Diluted EPS</b>	<b>19.8</b>	<b>20.1</b>	<b>18.4</b>	<b>21.1</b>
<b>Balance sheet</b>				
Networth	6,734	6,715	7,794	9,002
Minority interest	0	0	0	0
<b>Total equity</b>	<b>6,734</b>	<b>6,715</b>	<b>7,794</b>	<b>9,002</b>
Other long term liabilities	2,912	2,861	2,908	2,944
<b>Total liabilities</b>	<b>9,645</b>	<b>9,576</b>	<b>10,702</b>	<b>11,946</b>
Goodwill & intangibles	52	59	60	56
O.Fixed assets	870	1,330	1,387	1,389
Investments	0	0	0	0
Cash	8,143	7,367	8,434	9,680
Current liabilities	2,872	2,815	2,862	2,898
Net current assets	5,457	4,734	5,753	6,963
<b>Total assets</b>	<b>9,645</b>	<b>9,576</b>	<b>10,702</b>	<b>11,946</b>

	FY15	FY16	FY17E	FY18E
<b>Cash flows</b>				
Operations	1,844	861	938	1,353
Investing	-1,585	498	327	153
Financing	-141	-1,445	-197	-260
<b>Free cash flow</b>	<b>1,164</b>	<b>83</b>	<b>498</b>	<b>913</b>
<b>Key ratios (%)</b>				
Revenue growth	28%	17%	9%	12%
EBITDA growth	17%	3%	-28%	39%
PAT growth	15%	2%	-10%	15%
EBITDA margins	28%	25%	16%	20%
EBIT margins	24%	20%	11%	15%
PAT margins	24%	21%	17%	17%
ROE	23%	21%	18%	17%
Net debt/EBITDA	-4.9	-4.3	-6.9	-5.7
<b>Valuation metrics</b>				
Shares o/s mn	70.3	70.4	69.4	69.4
Fully diluted shares	70.3	71.0	70.0	70.0
Market cap (Rs. Mn)	32,970	33,316	32,847	32,847
EV (Rs. Mn)	27,891	25,173	25,481	24,413
EV/Sales (x)	4.7	3.6	3.4	2.9
EV/EBITDA (x)	16.8	14.8	20.9	14.4
P/E (x)	23.7	23.3	25.5	22.2
EPS (E)/ CMP	4.2	4.3	3.9	4.5
Dividend yield (%)	0.2%	0.2%	0.3%	0.4%
OCF per share	26.2	12.1	13.4	19.3
FCF per share	16.6	1.2	7.1	13.0

# Just Dial Ltd. – Crystal Ball Gazing

FY13-16 CAGR %			
Revenue	EBITDA	PAT	Price
24	19	27	5





Report Date	Price	Target	Reco.
24/May/16	692	580	Sell
29/Jan/16	738	570	Sell
08/Jan/16	843	700	Sell

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