

## Just Dial

Initiating Coverage

24 Sept 2013

## BUY

Target Price: Rs902

CMP: Rs760

Upside: 19%

\*as on 23 Sep 2013

## Beyond search!!!

We initiate coverage on Just Dial with a BUY rating and believe the premium valuation will sustain given the company's strong revenue and profitability growth. Also, there could be re-rating at the margin as it was recently listed and the thinly covered stock comes more into the limelight. A highly efficient and scalable business model coupled with an entry into transaction driven businesses will further offer upside from FY15E. The first mover advantage and a presence across platforms have made Just Dial the first choice for SMEs for lead generation.

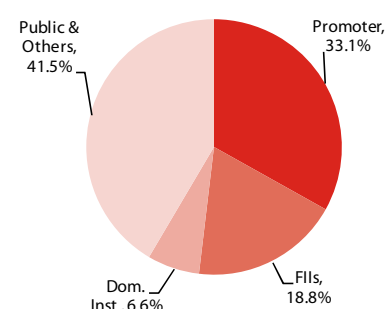
- **Foundation in place for sustained competitive edge:** We believe Just Dial has a first mover advantage with strong brand recall in India as evidenced by the 364mn searches of the database across platforms. The efficient and scalable business model offers a win-win proposition for both users and SMEs. We believe Just Dial has created a huge entry barrier in the business with more than 80% of the employees client facing coupled with a strong marketing and sales network.
- **Future growth strategy intact:** We believe the company's strategy to penetrate deep into existing markets and explore new markets through a hub & spoke model will bear fruit in the next 3 years. Non-linear revenue streams through transaction driven business model of online ordering of food, doctor's appointments, grocery orders and cab bookings will become big from FY15. New products and services are aligned to increasing user activity which could further increase leads for SMEs.
- **Leveraging key themes:** We believe growing internet users will boost online classifieds market from Rs30.6bn in 2011 to Rs84.3bn in 2016. Telecom is further expected to propel internet penetration as India becomes the third largest smart phone market in the world by 2017 with 10.3% market share from 3% currently. The number of SMEs has grown from 26.1mn to 31.2mn over FY07-11. The CAGR of 4.5% offers a huge opportunity given that paid listings are merely 0.5% of the overall market for Just Dial
- **Valuations & Risks:** We see attractive risk reward for Just Dial, given its i) Revenue CAGR of 31.9%, operating margin expansion of 44.2bps and PAT CAGR of 44.17% over FY13-16E ii) Asset light business model and strong FCF iii) Healthy return ratios and expectations of high dividend payout. Hence we value Just Dial at 35x Sept 2015 EPS of Rs25.8, with a target price of Rs902. As we show in our report, there are credible examples of high sustained ratings of several other companies with either high or consistent growth or strong cash flows. Key risks are regulatory changes, growth at the cost of working capital and employee attrition.

## Key Data

Bloomberg Code	JUST.IN
Current Shares O/S (mn)	69.9
Diluted Shares O/S(mn)	69.9
Mkt Cap (Rsbn/USDmn)	53.4/852.1
52 Wk H / L (Rs)	822.3/581.2
5 Wk H / L (Rs)	822.3/581.2
Face Value (Rs)	10
Avg Daily Vol.	207,800

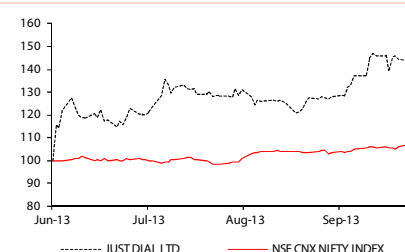
USD = Rs62.6

## Shareholding Pattern



As on 30 June 2013

## One Year Indexed Stock Performance



## Price Performance (%)

	1M	6M	1Yr
JUST IN	13.2	NA	NA
NIFTY	7.6	4.2	3.5

Source: Bloomberg, Centrum Research  
\*as on 23 Sept 2013

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Y/E Mar (Rsmn)	Rev	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Fully DEPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY12	2,621	42.5	672	25.7	504	74.9	7.2	49.8	41.0	105.3	76.3
FY13	3,628	38.4	1,008	27.8	700	38.8	10.0	26.3	22.5	75.9	47.6
FY14E	4,762	31.3	1,411	29.6	1,108	58.4	15.9	23.8	18.0	47.9	34.0
FY15E	6,310	32.5	1,919	30.4	1,505	35.8	21.5	26.8	20.6	35.3	24.4
FY16E	8,333	32.1	2,685	32.2	2,097	39.3	30.0	30.3	23.8	25.3	16.8

Source: Company, Centrum Research Estimates

Please refer to important disclosures/disclaimers inside

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## Investment Rationale

### Foundation in place for sustained competitive edge

#### First mover advantage with low competition

We believe Just Dial has the first mover advantage among consumers seeking information on local businesses as it is one of the first companies to offer comprehensive local search services in India. Just Dial started offering its local search services in 1996 under the Just Dial brand, and launched internet and mobile internet services in 2007. Competitors such as Getit, Askme, sulekha and asklaila entered the business later and were not able to match the service of Just Dial. The main competitive factors in favour of Just Dial include the size of the user base, brand recognition, accessibility across platforms and relationship with paid advertisers, customer service and pricing.

Just Dial has more than 9.1mn business listings with a presence in more than 1800 cities. This acts as a big differentiating factor from competitors. Local call centres for voice search and updated database further give it an edge. We believe the company is able to differentiate itself from others on the back of consistent delivery of quality user experience and providing features such as reviews and ratings by users, offering a reliable and extensive database, multi-platform services on a large scale, personal inter-face by IROs, on-the-ground sales force coupled with understanding, familiarity and experience of the local market. In addition, we believe the local know-how (such as the database of SME listings and user review and ratings) and its relationship with SMEs enable it to offer particularly relevant products and services.

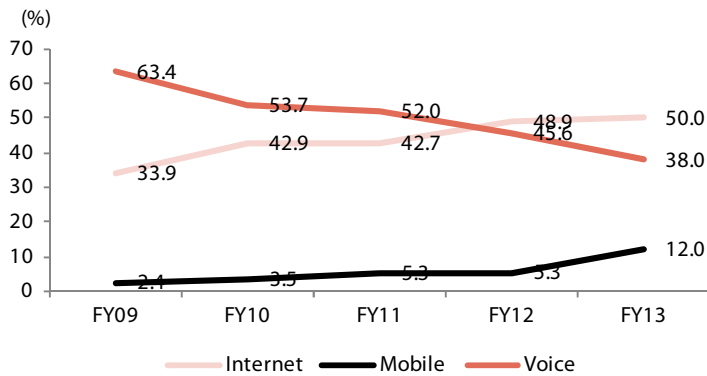
#### Exhibit 1: Competitive Positioning

Portals	Year of Inception	Platform	Employees	Database coverage (cities)	Listings	Helpline Number	Key Investors	Traffic Rank (India)	Time spend on Website (Mins)	Page views/visitor
Justdial.com	1996	Internet, mobile, voice, sms	8000+	~1800	9.1mn	8888888888	SAIF, Tiger Global, Sequoia, SAP Ventures	37	5.43	5.01
getit.in / Askme	1986	Internet, mobile, voice, sms, print	1000+	~600	1.6mn	4444444444	Astro (Malaysia), Helion Venture	779	2.32	2.67
sulekha.com	1998	Internet, mobile	NA	~60	3mn	NA	IMG (New York), Norwest Venture Partners (Palo Alto), Mitsui (Tokyo)	64	3.39	3.35
asklaila.com	2007	Internet, mobile, SMS	NA	~1702	NA	NA	Matrix Partners, Lightspeed Venture, Saama Capital	162	2.35	2.77

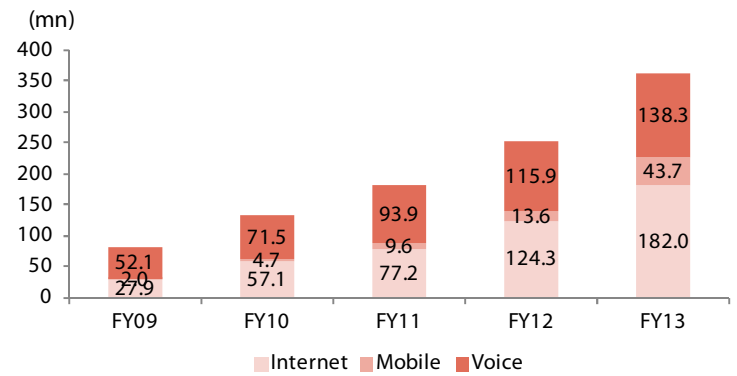
Source: Company, Industry, Alexa.com, Centrum Research

#### Strong brand recognition across platforms

We believe Just Dial has a very strong brand recall in India as evidenced by the 364mn searches of the database and 9.1mn business listings in FY13. Historically, brand development was primarily through the word of mouth by users based on their experience. We believe the following key factors contributed to the strength of the brand in India- Long standing presence in the local search market, strength and quality of database, fast response to search queries and consistent delivery of quality user experience. The company's portal justdial.com is ranked 37 in India among top websites as per Alexa.com, much ahead of competitors. Users can dial hotline number 6999-9999 which is available in approximately 250 cities and towns in India, or +91-88-8888-8888 across India. It is easy to remember and has strong recall. Just Dial has signed up Amitabh Bachchan, a well known celebrity, as its brand ambassador for three years from December, 2010. With multiple platforms of delivery, Just Dial has an addressable market comprising a large segment of India's population across various age groups and demographic profile.

**Exhibit 2: Increasing share of internet & mobile**

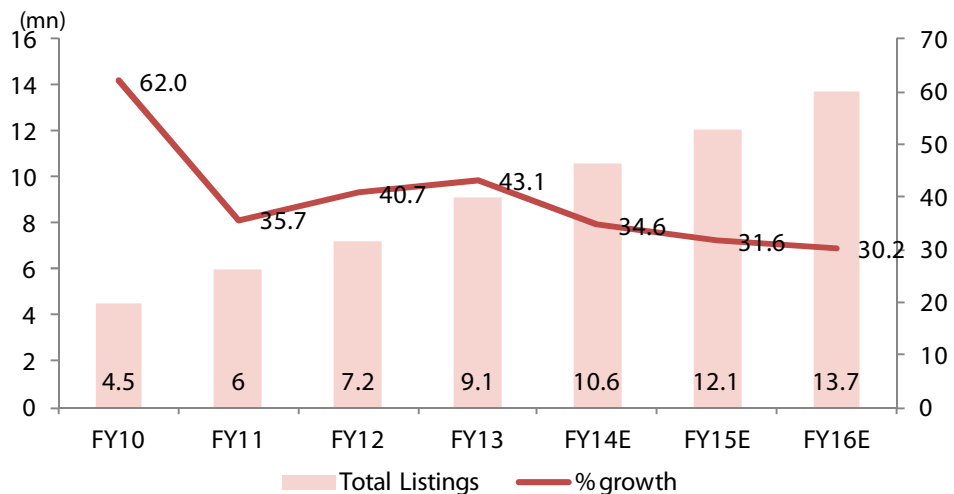
Source: Company, Centrum Broking

**Exhibit 3: Strong growth in search request across platform**

Source: Company, Centrum Broking

**Exhibit 4: Strong growth in business listings**

**26.4% CAGR in business listing against 39.8% CAGR in search request over FY10-13**

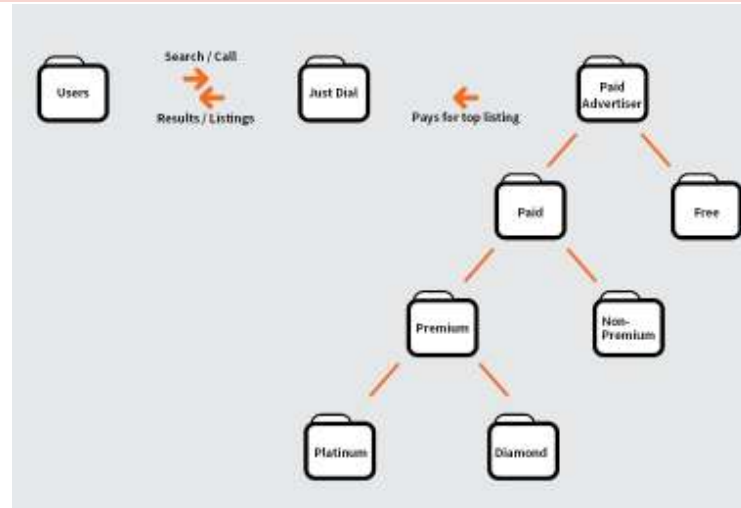


Source: Company, Centrum Broking

### Efficient & scalable business model

We believe Just Dial offers an attractive value proposition for SMEs and hence has been able to garner 9.1mn listings in FY13 while paid listings were 2.3% of the total.

- **Cost-effective platform:** We believe that it is a challenge for most SMEs to attract the attention of the right target consumer and to expand into new markets because of limited budgets and resources. Just Dial's service facilitates a cost-effective mode of consumer targeting for such SMEs, which otherwise may not be feasible for them. For example, details of an SME which does not have a website can be available to potential consumers online when the SME is listed in Just Dial's database.
- **Personalized service:** Through the data collection team canvassing the local markets, Just Dial establishes direct relationships with many of these SMEs. Once it identifies potential advertisers, marketing executives meet with them to explain the ease and benefits of advertising with Just Dial and convert business listings into paid listings. The company's direct and personal relationships with SMEs allow it to differentiate itself from other search engines which operate in India largely on a virtual basis.
- **Access to relevant users:** Listing on the search service provides businesses with exposure to users at a time when they are making purchase decisions.

**Exhibit 5: Just Dial bringing SMEs to users**

*Win-win proposition for both users & paid advertiser*

Source: Company

**We believe that by providing fast and free access to the database, Just Dial provides a compelling user experience that will create a network effect and attract a large number of users who search for information to Just Dial. These users will, in turn, prompt more businesses to pay for listings and become paid advertisers in order to be featured in search results on a priority basis.**

Just Dial's revenue is predominantly generated from paid advertisers who subscribe to the fee-based campaign packages or membership in order to be given a priority ranking in search results. The company has 2.06 lakh campaigns running in FY13 or 2.3% of the total listings and this is expected to increase to 3% by FY16E.

The company offers annual and long-term automatically renewable memberships to paid advertisers. These annual memberships are paid in advance on a monthly or annual basis, while the long-term automatically renewable memberships are paid in advance on a monthly basis and can be terminated after nine months by providing three months' advance notice. The target market is principally comprised of SMEs from a range of industry sectors in various locations. In addition, larger corporations also advertise to complement their local or national advertising campaigns and to prevent them from being overlooked by potential end-users in search results.

When a user utilizes the services, paid advertisers are provided with direct leads to the potential consumer providing them with additional exposure. All businesses listed with the company are able to upload logos, pictures, videos and product catalogues to enhance their campaigns and effectively showcase their products and services. Just Dial generally verifies the name of each business listed, its contact details, websites (if any) and correct them at the time of signing up for a campaign, although no assurance is made as to the actual products or services. Just Dial uses proprietary pricing algorithms to set the price range for its various membership packages.

The features of membership packages are set out below:

#### **Premium Advertisement Package**

Premium advertisement package comprises platinum and diamond membership packages. When users search for listings in a given category or at a specific geographic location, platinum members are listed first in the search results followed by diamond members in the second place, ahead of non-premium members and free listings, on all available media.

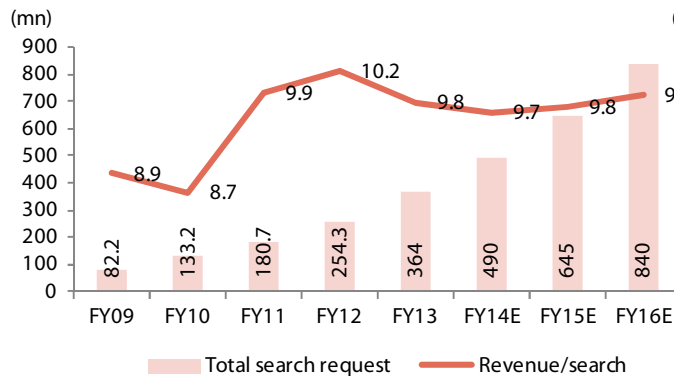
Premium members also enjoy the flexibility to purchase a part of the inventory for a given category; that is, they may choose to purchase a fixed percentage of leads for a given category. The remaining leads are then sold to other members who wish to purchase part of the position allocated to the type of premium membership held. For example, if a diamond member purchases 10% of the inventory, it will be featured second for 10% of the searches for the category. Diamond members are thus assured of their premium position over other types of campaigns (except platinum members) and free listings and enjoy increased access to users and potential buyers. Premium members pay subscription fees, which vary depending on the category, geographic region and the tenure of the

campaign. Currently, premium memberships represent approximately ~22% of total memberships and 35-40% of revenues.

### Non-Premium Advertisement Package

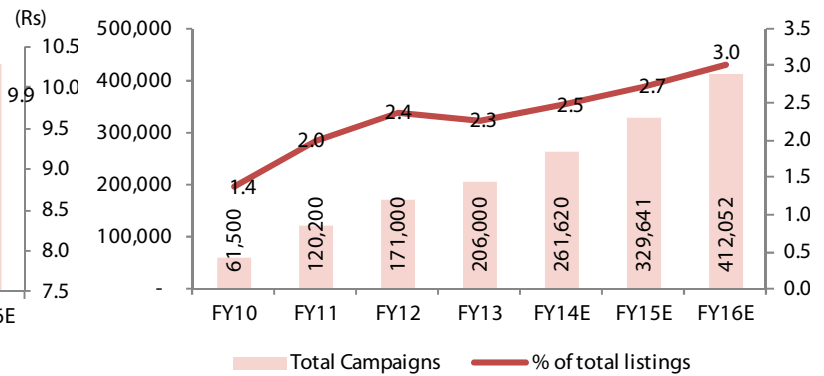
In non-premium advertisement package, when users search for listings in a given category for a specific geographic location, the listings of the non-premium advertisement package enjoy priority in search results over free listings on all available media. The number of leads, which is the number of times the business listing is displayed or featured to users, is proportionate to the price of the package and the number of members in such category; the more expensive the package, the higher the number of leads generated. Non-premium advertisement package members currently pay annual or monthly subscription fees, which vary depending on the category, geographic region, number of leads and the tenure of the campaign.

**Exhibit 6: Exponential growth in search request**



Source: Company, Centrum Research

**Exhibit 7: Growing paid campaigns**



Source: Company, Centrum Research

We believe that the business model is efficient as it promotes continuity in subscriptions and cash flows. We also believe that this is a difficult business model for competitors to replicate due to the challenge of establishing the requisite credibility and relationship with paid advertisers for them to be willing to agree to the payment terms. With 67% of the revenues from repeat customers (23% attrition and 10% business mortality) it is highly credible. Evergreen contracts now account to 70% of the renewed contracts from 50% in FY13 as SMEs pay weekly/monthly advance payments which reduce the stress on SMEs and increase RoCE for them. In Q1FY14 the company started ECS payment facility from clients which will further increase customer stickiness as the contract gets automatically renewed at the end of the period.

### Strong sales & marketing network

Currently ~80% of the employee workforce of the company is client facing and have a strong incentive structure. ~7-9% of the revenues are shared as incentives to sales & marketing teams. 25% of employees, IROs answer user queries while the remaining 55% generate business.

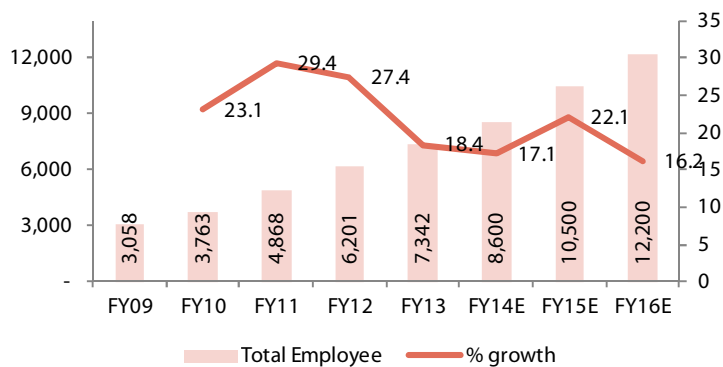
Strong voice network acts as a high entry barrier in the local search business. The company has eight in-house call centres which operate 24x7 located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune employing 1,837 IROs (25% of employees). These IROs are fluent in English and some regional languages, thereby providing language options to users and increasing user base. Users can dial the hotline numbers to do a company search or a category search. IROs speak with users to ascertain their queries which are then processed by conducting a live company search or category search on the database. Search results are conveyed at the option of the user during the call or immediately following the call by SMS or e-mail.

The sales team is divided into tele-sales executives and "feet on street" executives. Data collection team works closely with tele-sales and "feet on street" executives to identify potential paid advertisers. The company's strategy is also to make contact with every business within target markets that is not listed with them. They work closely with the data collection team to identify and reach out to potential advertisers. The company has also implemented a reseller program to procure additional paid advertisers without incurring significant additional costs.

- Tele-sales executives make initial contact with existing or potential paid advertisers via telephone.
- When existing or potential paid advertisers express interest in upgrading their membership packages or advertising to the tele-sales executives, the company sends “feet on street” executives to meet them.
- When a business owner registers with the company online, tele-sales executives usually contact them within 24 hours to register their listing, inform them of the benefits of paid advertising and, if accepted, assist them to select an appropriate membership package.

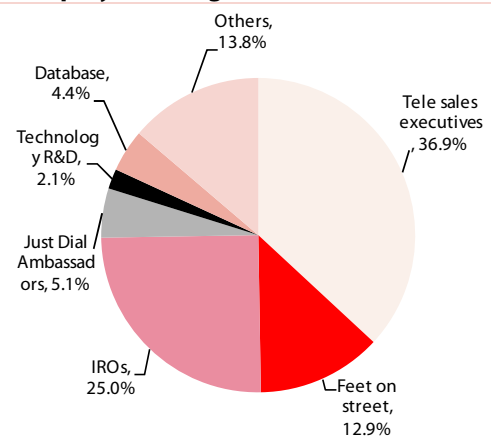
As part of the strategy to increase awareness of the Just Dial brand with SMEs, the company has created a team of marketing executives, called “Just Dial Ambassadors”, whose principal objective is to educate SMEs about the services. In the process of marketing the brand, Just Dial Ambassadors collect data from the SMEs they have met, inform them of the benefits of paid advertising and in some cases convert SMEs with free business listings into paid advertisers. Going forward, the company has decided to recruit more employees in this division to expand the market. Currently, only 5% of employees are Just Dial Ambassadors.

**Exhibit 8: Strong growth in total employees**



Source: Company, Centrum Broking

**Exhibit 9: Employee strength across divisions**



Source: Company, Centrum Broking



## Future growth strategy intact

### Set to widen & deepen footprint

We believe that there is significant opportunity to further deepen the company's presence in the 11 cities of Ahmedabad, Bengaluru, Chandigarh, Chennai, Coimbatore, Delhi, Hyderabad, Jaipur, Kolkata, Mumbai and Pune where it has a presence and increase search services beyond these cities. It can also increase the share of paid advertisers listed in the database while adding to user traffic. As per management ~35% of the paid listings are from Mumbai & Delhi markets and ~47% from other nine large cities. We believe the company will use a hub and spoke model to enter new markets as the cost will be lower.

To further develop a reliable and updated database, while minimizing costs and expenses, the company has initiated a reseller program under which third parties collect and provide new entries to the database for a payment. Relationship with resellers enables it to receive new entries and obtain new business listings and potential paid advertisers without requiring additional manpower. To maintain the quality of information, the company provides training and support to resellers and the data is verified by the internal database verification team.

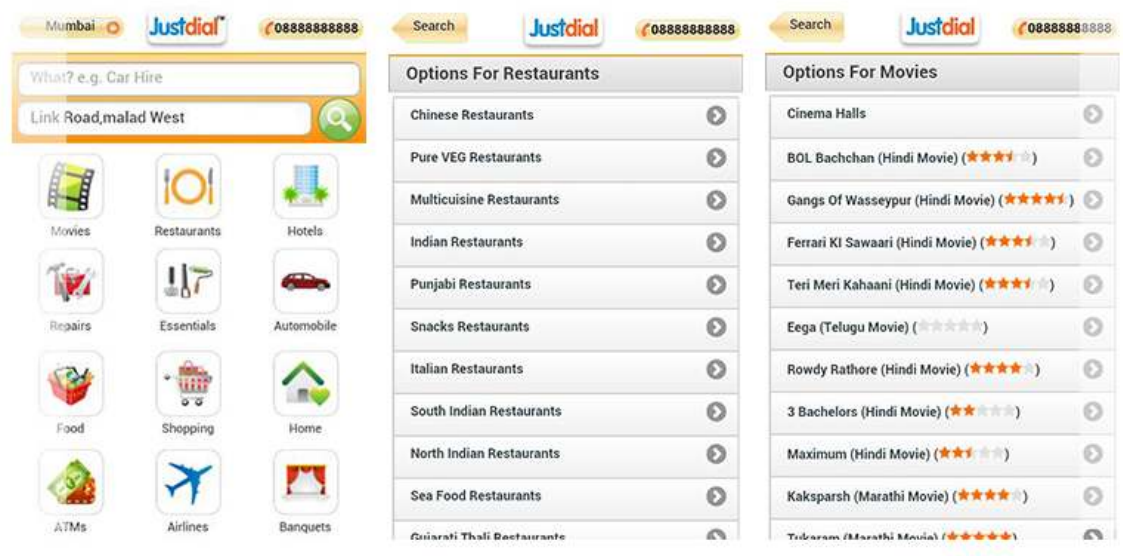
Resellers pay a one-time registration fee and an annual fee to the company. The one-time registration fee is recognised when the contract with reseller is entered into and the annual fee is recognised on a pro-rata basis over the period of the contract.

### To develop new products & services

We believe that the Just Dial brand, user activity on its platforms, strong SME relationships and the company's experience with data analytics can be leveraged to expand the business by offering new products and services. These products and services can help the company earn non-linear revenues and charge customers premiums in future.

- **Mobile application:** With the growing Indian telecom consumer base and increased sale of smart phones, the company has developed 'Just Dial' mobile applications for Android and iPhone operating platforms. It is in the process of developing applications for BlackBerry and Windows phones as well. The master application enables the users to search the database on the move. Launched in December 2012, the company had over 2 Million downloads of the application as on August 31, 2013.

### Exhibit 10: Screenshots of company's Android App



*Mobile App helps the consumer search database on the move*

Source: Company, Centrum Broking

- **Enabling Transactions:** In collaboration with service providers and vendors, the company is in the process of developing the ability for users to complete a number of bookings and purchases which are integrated in the search results from the website, mobile Internet WAP site and the



Master App, including reservations at restaurants, home delivery of food (a feature already available on the website), ordering groceries, booking doctors' appointments (which will also be available through voice searches) and taxi bookings. This will help the company garner non-linear revenues and also help it to increase stickiness of the customer given that many vertical portals have recently garnered significant PE funding and started to gain traction. We believe with JustDial's existing relationship with SMEs that are already listed on its portal and its strong foothold in several Indian cities including tier II and III, it is logical to extend these partnerships further by offering new niche services.

Vertical transaction driven business model offer significant upside

#### Exhibit 11: Huge opportunity in transaction driven business model



Source: Company, Centrum Broking

- I. **Online food ordering:** JustDial will be competing with other online food ordering services like JustEat and Rocket Internet backed foodpanda with operations in 11 cities including Bangalore, Delhi and Mumbai. Other portals include bigbite.in which offers online food delivery in Delhi-NCR region and deliverychef.in in Mumbai. Besides companies like dineout.com, gourmetItUp.com, tablewalla.com and tablegrabber.com offer online restaurant reservation facility.

#### Exhibit 12: Online food ordering service for users

##### Just Dial Food Ordering Service in Delhi



Source: Company, Centrum Broking

Exhibit 13: Ordering food online



Source: Company, Centrum Broking

Exhibit 14: Restaurant menu on company website



Source: Company, Centrum Broking

- II. **Booking Doctor's appointment:** The company will start to maintain and take doctor's appointment for clients. Typically, portals charge a fixed fee per appointment from doctors and hospitals based on specialty, city and locality though taking an appointment is still free for patients. Here Just Dial will compete with portals such as Docsuggest funded by Angel Investors, Getit Infoservices and Practo funded by Sequoia Capital.
  - III. **Grocery Orders:** Here, Just Dial will compete with localbanya.com funded by Springboard, EkStop and Eemli. The online grocery industry in India is still at a nascent stage but there is a big opportunity as in metro cities it is tough for people to get to eat what they want at the time they want and be assured of product quality. The value proposition of the industry is one that will pick up steam as busy professionals as well as housewives value good service and convenience.
  - IV. **Cab Booking:** The company will compete with other car rental aggregators like Savaari Car Rentals (raised \$1mn from Inventus Capital Partners), YourCabs.com (raised angel funding from Sprism Investment), Olacabs.com (funded by Tiger Global Management). We believe Just Dial will operate as car rental aggregators, collaborating with taxi vendors for providing services like booking city taxis (for in-city travel), airport taxis (pick-up and drop) or outstation cabs.
- **Car listings:** The company is exploring various areas to sell and buy goods and services through the website, starting with cars. It is in the process of developing a car listings website in which users can research and rate car models offered for sale, list cars for sale and receive price quotes from vendors of both new and used cars. Here, it will be competing with carwale.com, gaadi.com etc who have the first mover advantage.
  - **Quick Quotes:** The Company is in the process of developing a "Quick Quotes" product that is intended to provide prospective buyers with a price quote from multiple vendors that will be available 24 hours a day and seven days a week. It is expected that buyers will receive real time updates of revised quotes by vendors through SMS and email. This service is expected to be available on all four of platforms: Internet (www.quickquotes.in), mobile Internet (wap.quickquotes.in), voice (69999999 and +91 88-8888-8888) and SMS (+91 88-8888-8888).

## Monetize existing services

- **Best Deal:** In an initiative intended to allow users to obtain the best price on products or services, multiple vendors compete for a user's business in a process similar to a "reverse auction". When a user elects to participate in a Best Deal service, Just Dial instantly provides the user and the relevant vendors listed in the database with each other's details. The vendors then contact the interested user directly in order to compete amongst themselves on price and other factors to sell the user the product or service being sought. We believe this service helps the vendors instantly seek business from hot leads against waiting for the user to call. We believe vendors will be willing to pay significant premiums for this service in the future.
- **Reviews and Ratings:** Users can submit their reviews of businesses, products and services on the website or through the phone service. These reviews are regularly monitored and uploaded on the website for the benefit of potential users to enhance their search experience and enable them to make suitable choices. This also enables companies listed in the database to receive feedback on their products and services. Further, companies can acquire certificates from Just Dial to display their ratings.

Users can receive search results based on the reviews and ratings received. As of March 31, approximately 23.0 million reviews and ratings were published on the website, as compared to 7.4 million as of March 31, 2012.

We believe globally, most local search businesses are built on User Generated Content with rating and reviews wherein they engage users to write reviews on the portal. These portals then become a strong brand influencing consumer decisions and in turn pitching for advertising from the vendors.

- **Tag-Your-Friend:** The company encourages users to share their reviews and ratings by inviting them to be part of a social search feature called "Tag-Your-Friend". This feature allows users to leverage their own network of participating friends and acquaintances to recommend listings for them across the website and mobile Internet WAP site, including with the Master App. With this feature, users are able to see the businesses most recently rated or reviewed by their friends, and details of the experiences they had with such businesses. As of March 31, 2013, 7.6 million friends were "tagged" through this feature.

We believe word of mouth marketing is the best form of marketing and it influences individual buying decisions. Hence recommendations from friends are very important consumer points of view.

Exhibit 15: Screenshot- Ratings



Source: Company, Centrum Broking

Exhibit 16: Screenshot – Tagged friends



Source: Company, Centrum Broking

- **Logos, pictures, videos and catalogues:** All businesses listed with Just Dial can enhance their listings by uploading logos, pictures, videos and catalogues of products and services on their search result pages.
- **Facebook and Twitter links:** Users can connect to Facebook and Twitter pages directly through links provided on the webpage. Users can also tweet the business listings directly from the website. This feature allows them to publicly share the quality of search and business information. As of March 31, 2013, the company had 1.5 million 'fans' on Facebook and 10,506 followers on Twitter.
- **Just Dial Events:** Users can search for upcoming events without charge on [events.justdial.com](http://events.justdial.com). Search categories include: Arts & Crafts, Community, Dance, Food & Drinks, Lifestyle, Literary, Music, Nightlife & Parties, Sales & Exhibitions and Theatre. This service is currently available for events in eight major Indian cities: Ahmedabad, Bengaluru, Chennai, Delhi/NCR Region, Hyderabad, Kolkata, Mumbai and Pune.

## Leveraging key themes

### Growing internet users to boost online classifieds market

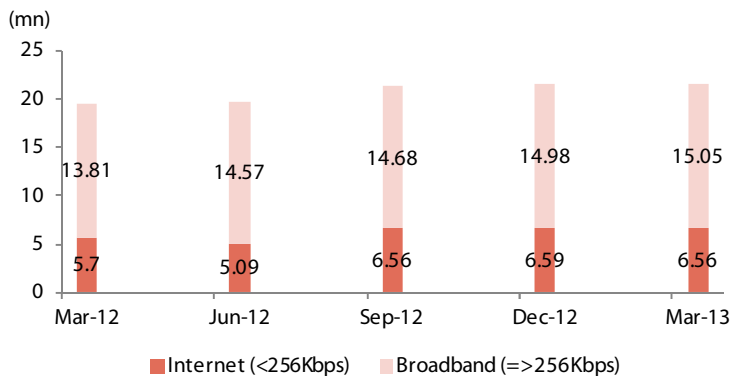
The key driver of online search services is the proliferation of internet, including mobile internet, and the growing number of users in India. Consumers find it convenient to conduct search on the internet for any services or product required, especially with the reduction in price of access devices, launch of 3G network and innovative data plans that facilitate the use of internet on mobiles.

Local online search services help provide better visibility to small and local business owners by providing the scope to market and publicize their products and services and to reach a larger audience in a cost effective manner compared to traditional advertising media like TV and newspapers.

The Indian internet market is still at a nascent stage and has a high potential to expand rapidly. According to Internet World Stats, as of June 30, 2012, Internet penetration was at 11.4% in India, compared to over 78.1% in the United States. There were approximately 137 million Internet users in India, making it the third largest population of Internet users after China and the United States.

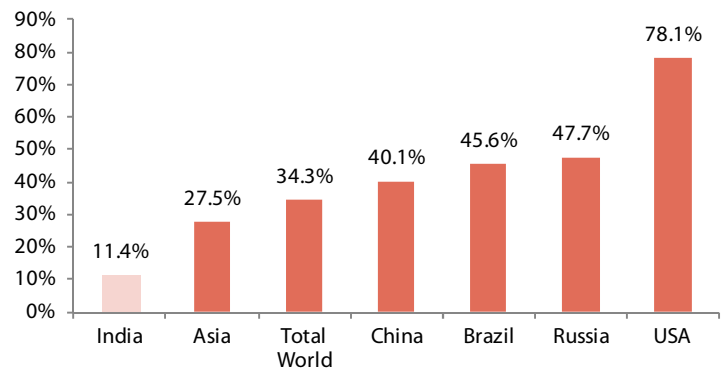
As per TRAI, currently we have 21.6mn desktop internet users of which ~15mn have broadband connection. We believe with increasing internet penetration, users will migrate from offline to online over the next 5 year period translating into a huge opportunity for the online classifieds market.

**Exhibit 17: Growing broadband penetration in India**



Source: TRAI, Centrum Broking

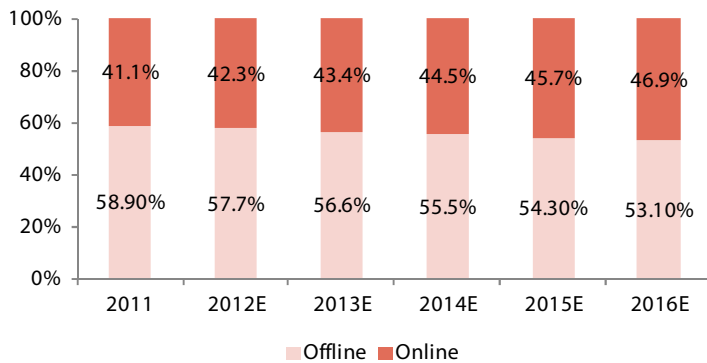
**Exhibit 18: Internet penetration lowest among BRIC nations**



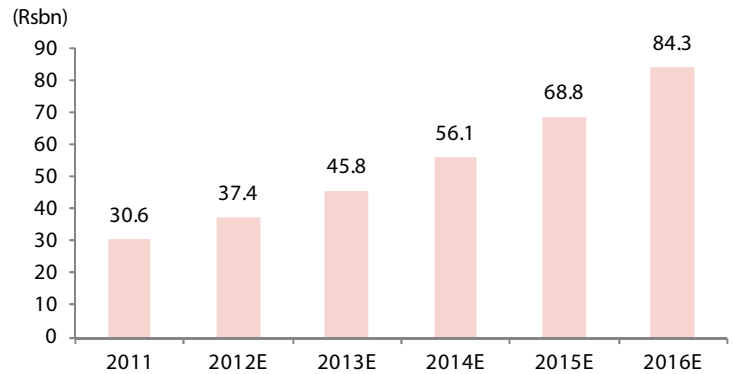
Source: Netscribes, Centrum Broking

According to Netscribes, in 2011, the market segment for offline and online classifieds was 58.9% and 41.1%, respectively. With growing internet usage, the online classifieds segment is growing rapidly. It is estimated that the market segment will become 53.1% and 46.9% respectively, by 2016. The size of the classifieds market has grown to Rs30.6bn in 2011 and is expected to reach Rs84.3bn in 2016.

The online classifieds market has grown due to increasing market penetration as consumers are increasingly using online classifieds as it is more convenient. In addition, online classifieds are more cost effective as they can obtain more exposure than through traditional print media. Offline classifieds face challenges such as lesser space for advertisements especially display advertisements becoming major bottlenecks as it restricts the scope of advertisement exposure, unlike online classifieds which offers various advertising forms, such as listings, banners, featured advertisements, home page panels and micro sites.

**Exhibit 19: Increasing share of online classifieds market**

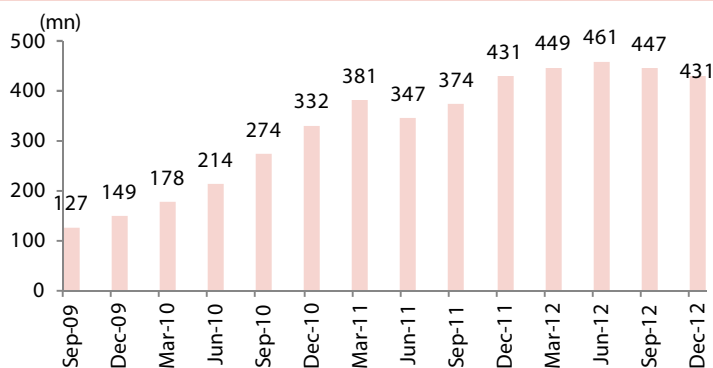
Source: Netscribes, Centrum Broking

**Exhibit 20: Classifieds market size**

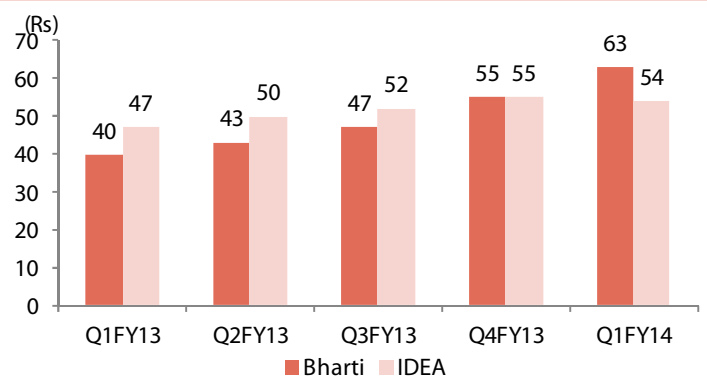
Source: Netscribes, Centrum Broking

## Telecom – enabling faster internet growth

The growth of the advertising sector and search services in India is also due in part to the growing use of mobile internet in India. As per TRAI, wireless devices capable of accessing data/internet have grown to 421mn by Dec 2012 and of which 143mn use internet on these devices. Data ARPU for telecom companies have increased significantly and is growing at a healthy pace.

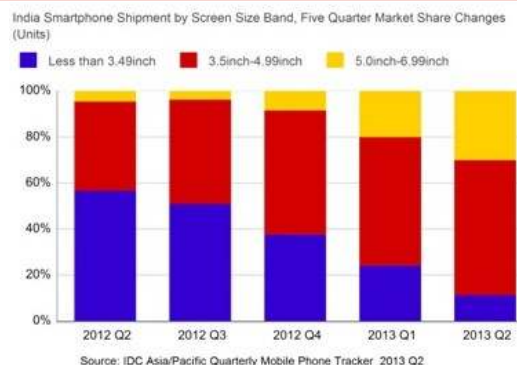
**Exhibit 21: Wireless devices capable of accessing internet**

Source: TRAI, Centrum Broking

**Exhibit 22: Increasing data ARPU for telcos**

Source: Companies, Centrum Broking

According to International Data Corporation's (IDC) AP Quarterly Mobile Phone Tracker, vendors shipped a total of 9.3 million smart phones in 2Q13 compared to 3.5 million units in the same period of 2012. 2Q13 grew by more than 50% over the units shipped in the first quarter of 2013 (1Q13). The 5.0 inch-6.99 inch screen size smart phones, or phablets, grew 17 times YoY and the phablet share has steadily risen to 30% of the smart phone market in 2Q13. ~67% of 9.3 million smart phone shipments in Q2 2013 were sub-\$200 smart phones. The feature phone market is declining but still accounts for 85% of the mobile phone market in the country. Total mobile phone shipments increased by 4% QoQ and 21% YoY in the country.

**Exhibit 23: Increasing penetration of larger screen smart phones**

Source: IDC Asia/Pacific Quarterly Mobile Phone Tracker, 2013 Q2

Source: IDC, Centrum Broking

India is expected to become the third largest smart phone market in the world by 2017 with 10.3% market share from current 3% market share. Total shipped units are expected to grow at a CAGR of 53.8% over 2013-17 to 155.6mn units. This would boost 3G penetration and hence data and internet consumption

**Exhibit 24: India to have 10.3% market share of global smart phone shipment by 2017**

Country	Unit Shipment (Mn)		Market Share (%)		CAGR
Name	2013	2017E	2013	2017E	2017 over 2013 (%)
China	301.2	457.9	32.8	30.2	11.0
USA	137.5	183	15.0	12.1	7.4
UK	35.5	47.5	3.9	3.1	7.6
Japan	35.2	37.7	3.8	2.5	1.7
Brazil	28.9	66.3	3.1	4.4	23.1
<b>India</b>	<b>27.8</b>	<b>155.6</b>	<b>3.0</b>	<b>10.3</b>	<b>53.8</b>
Others	352.5	568.1	38.4	37.5	12.7
Total	918.6	1516.1	100	100.0	13.3

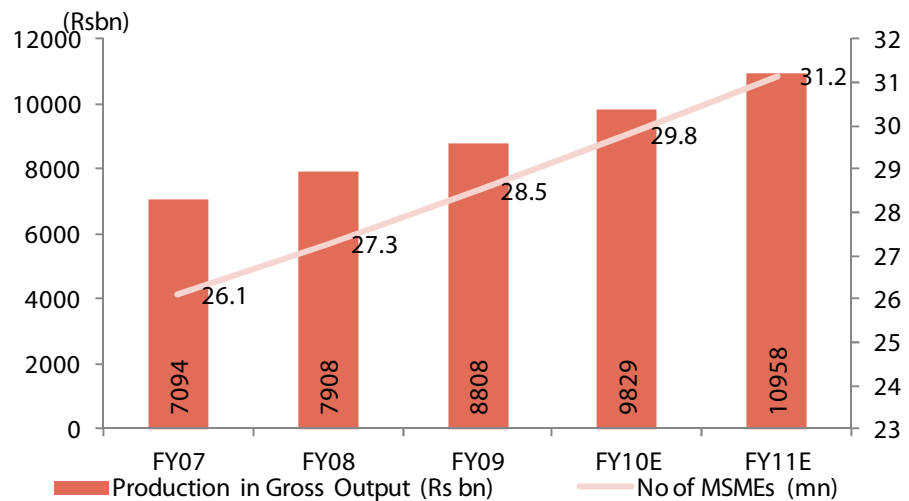
Source: IDC, Centrum Broking

### Expanding SME market

The Ministry of MSME estimates that, in terms of value, the SME industry accounts for about 45% of India's manufacturing output and 40% of total exports. This industry is estimated to employ about 73.2 million people in over 31.2 million units throughout the country. Their production in terms of gross output has been growing steadily from Rs7,094bn in 2006 - 2007 to Rs10,958 bn in 2010 - 2011, representing a CAGR of 11.5%. The number of SMEs has grown from 26.1mn to 31.2mn over FY07-11, CAGR of 4.5%. We believe Just Dial has a huge opportunity given that it has listings of 9.1mn (29% of market) while paid listings are mere 0.5% of the overall market.

**Exhibit 25: MSME production & growth in number of MSME**

*Paid listings are mere 0.5% of the overall market for Just Dial*



Source: Ministry of MSME Annual Report 2012, Centrum Broking

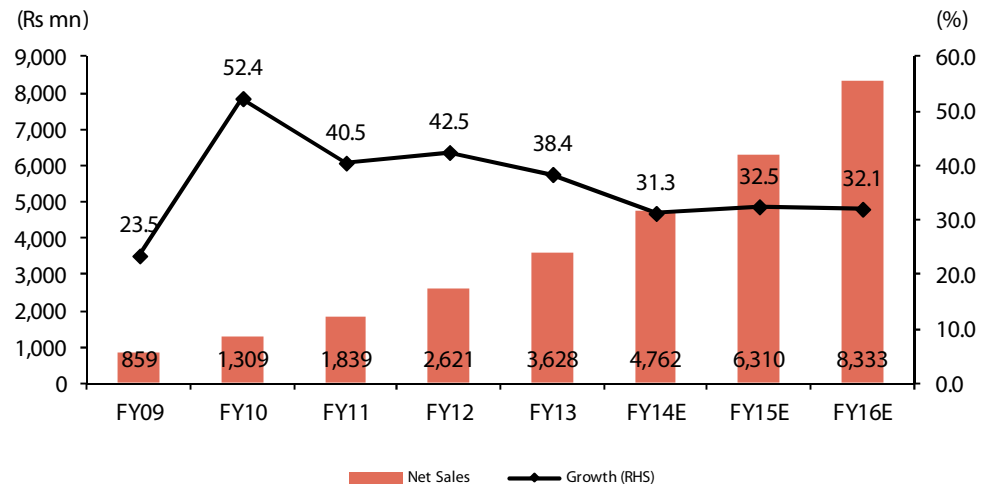


## Financial Analysis

### 31.9% CAGR in net sales over FY13-16E

We expect the company to post 31.9% CAGR over FY13-16E in net sales to Rs8333mn for FY16E from Rs4762mn in FY13 on the back of growth in paid listings to 2.62% of total listings in FY16 from 2.26% in FY13 with total paid campaigns of 0.36mn in FY16E from 0.2mn in FY13. Total search request will grow at a CAGR of 31% over FY13-16E to 820mn while revenue/search request will grow at a CAGR of 1.1% to Rs10.15 for FY16E.

**Exhibit 26: Strong sales growth**

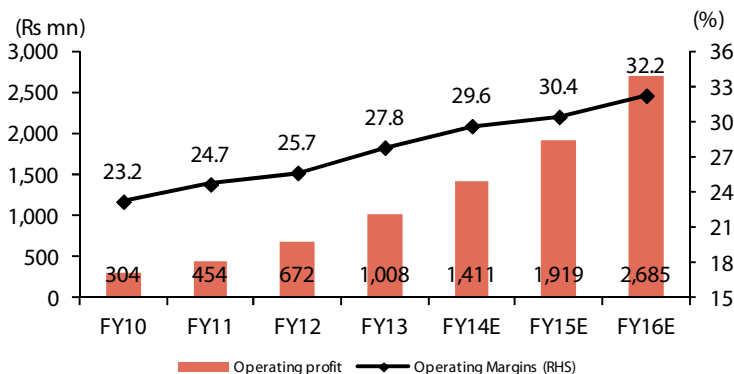


Source: Company, Centrum Broking

### Steady margin expansion and 38.6% CAGR in operating profit over FY13-16E

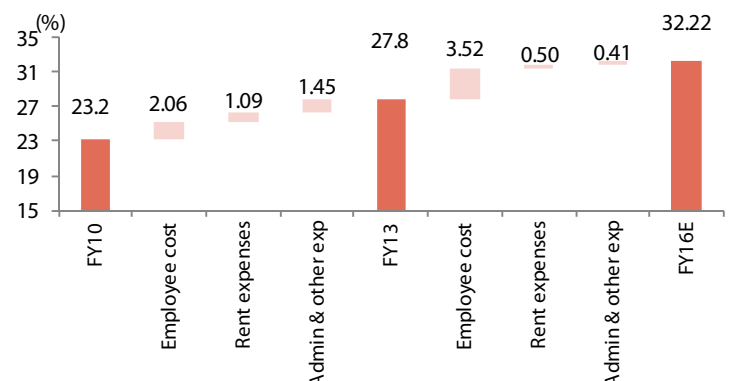
Just Dial has been able to expand margins by 460bps from 23.2% in FY10 to 27.8% in FY13 driven by strong operating leverage on the back of a fixed cost business model. As share of search shifts from voice to internet the cost of services reduces significantly as voice calls cost Rs2.7/call/min compared to it becoming negligible for internet and mobile phones. We believe the biggest benefit was in employee cost as it declined from 51.1% of sales in FY10 to 49% in FY13. We expect employee cost to decline further to 45.5% of sales as the number of employees will saturate in the next couple of years with the base being at ~12,200 for FY16E. We believe as business scales up and sales growth tapers, fixed cost (rent, advertising expenses & admin expenses) will grow in line with sales and offer limited margin expansion opportunities. Hence we have modelled operating margin expansion of 442bps over the next 3 years to 32.2% in FY16E leading to a 38.6% CAGR in operating profit to Rs2685mn over FY13-16E.

**Exhibit 27: 38.6% CAGR in operating profit**



Source: Company, Centrum Broking

**Exhibit 28: High operating leverage**



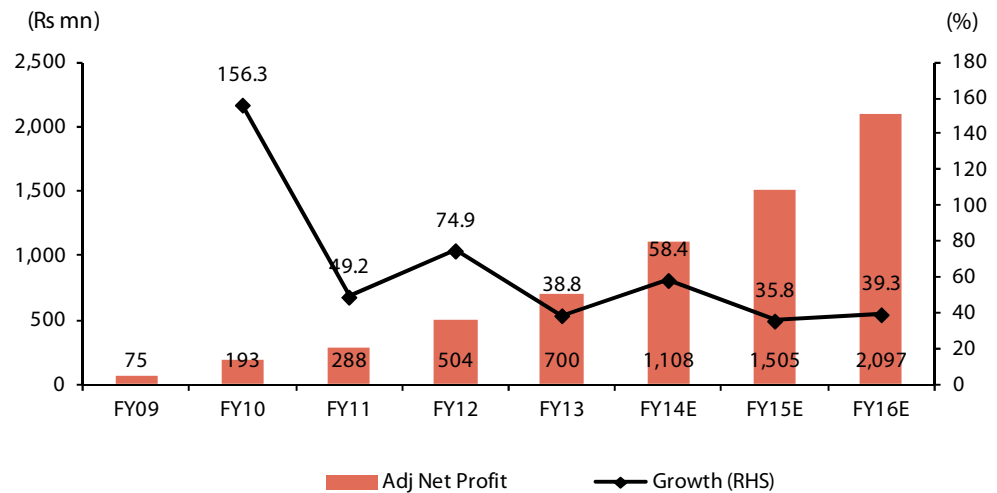
Source: Company, Centrum Broking

### 3x jump in PAT over FY13-16E

We expect the PAT for the company to jump to Rs2097mn in FY16E from Rs700mn in FY13 (CAGR of 44.1%) on the back of strong topline growth coupled with significant margin expansion. Cash & cash equivalents of Rs7.9bn by FY16E will further aid profitability on the back of high other income.

#### Exhibit 29: Strong profitability growth

**We expect 44.1% CAGR in PAT over FY13-16E**

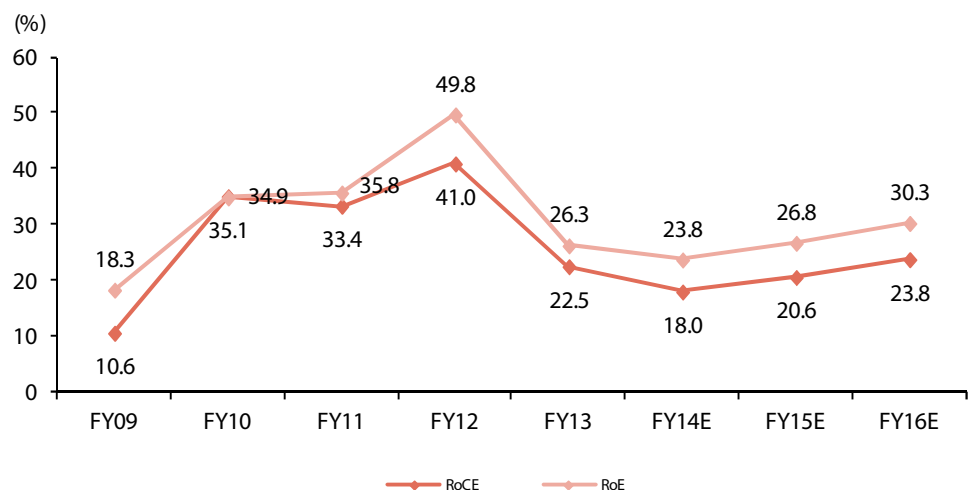


Source: Company, Centrum Broking

### Return ratios set to expand

We expect return ratios of the company to expand from FY14 onwards on the back of strong profitability. Conversion of preferential shares in FY13 muted return ratios along with cash & cash equivalents to the tune of Rs5bn in FY14E. However, from FY14 onwards we expect the RoE to increase to 30.3% and RoCE to 23.8% by FY16E.

#### Exhibit 30: Improving return ratios



Source: Company, Centrum Broking

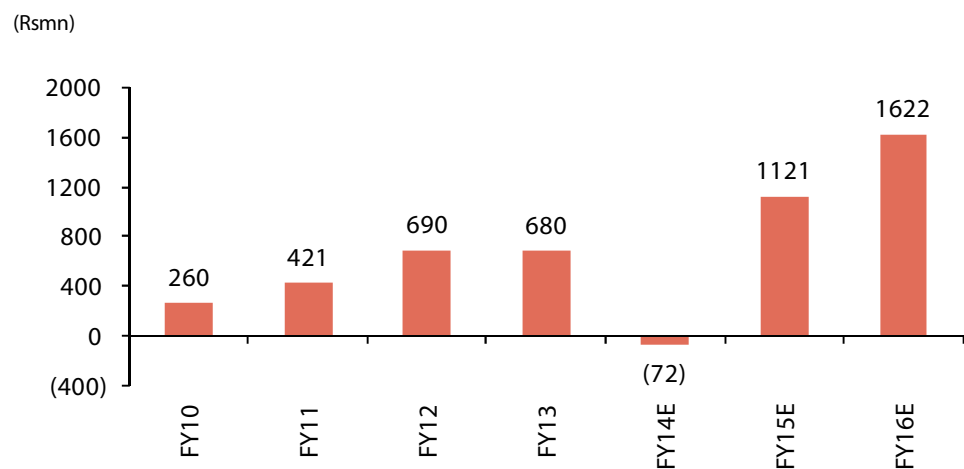
## High free cash generation on the back of negative working capital business model

Just Dial has a strong cash flow generating business model where the company has no debtors as it collects ~3 months advance payment from advertisers. However, in Q1FY14 the company started a new model where it would allow businesses to sign up without paying any money but they will have to give an ECS mandate for auto renewal. This model increases sales productivity by not having to go again and again to customers to collect cheques and renew contracts. However, it does increase the working capital cycle from negative 146 days to negative ~55 days.

Capex for the company has been in the 5-7% sales range. We have modelled a capex of Rs1.1bn for FY14-16E period during which the company will generate operating cash flow of Rs3.8bn and FCF of Rs2.7bn. Negative FCF for FY14E is on the back of change in the business model from Q1FY14. We expect the company to have FCF yield of 3.1% for FY16E from 1.3% in FY13. We have also modelled that the company will start to pay dividends with a payout of ~27% from FY14E.

### Exhibit 31: Strong FCF generation

*Just Dial is expected to have FCF Yield of 3.1% for FY16E*



Source: Company, Centrum Broking

### Q1FY14 results impacted by traders' strike

Traders' strike in Mumbai and Pune against LBT (Local Body Tax) during the quarter impacted the company's top-line which grew by 28% YoY. During the quarter the company was running 2,21,500 campaigns against 1,81,000 in June 2012, up 22% YoY. It had 115.2mn search requests during the quarter, up 36% YoY of which internet search grew 31% YoY to 56.4mn while mobile search grew 148% YoY to 19.5mn. Voice calls grew 17% YoY to 39.3mn.

Operating margins are the strongest in the first quarter as the A&P expenses accrue in Q2 & Q3 while employee wage hike is given in Q2. During the quarter, operating margins expanded by 407bps to 34.7%. PAT was up by 68.5% on the back of high other income.

**Exhibit 32: Q1FY14 results**

Y/E Mar (Rsmn)	Q1FY14	Q1FY13	YoY (%)	Q4FY13	QoQ (%)
<b>Net sales</b>	<b>1046</b>	<b>817</b>	<b>28.0</b>	<b>983</b>	<b>6.4</b>
Total Expenditure	683	567	20.5	710	-3.7
Employee Cost	487	406	19.9	493	
as % of sales	46.6	49.7		50.2	
Other Expenses	196	160	22.1	217	-9.64
as % of sales	18.7	19.6		22.1	
<b>EBIDTA</b>	<b>363</b>	<b>250</b>	<b>45.0</b>	<b>273</b>	<b>32.8</b>
% margin	34.7	30.6	407 bps	27.8	689 bps
Depreciation	42	28	52.0	42	0.7
EBIT	320	222	44.2	231	38.61
Interest	0	0		0	
EBT	320	222	44.2	231	38.61
Other Income	73	19		64	
PBT	393	242	62.9	295	33.31
Tax	113	75		81	
% Tax	28.7	31.1		27.6	
<b>PAT</b>	<b>280</b>	<b>166</b>	<b>68.5</b>	<b>214</b>	<b>31.2</b>

Source: Company, Centrum Broking

**Assumptions**

The revenue billing model of the company is based on paid listings which is a function of search volume across platforms. Hence we believe the key matrix to be looked at is search request growth and revenue/search request which has remained ~Rs10 for last few years.

**Exhibit 33: Key Performance Indicators**

Assumptions	FY12	FY13	FY14	FY15E	FY16E
Growth in paid campaigns (%)	42.3	20.5	27.0	26.0	25.0
Search Request growth (%)	40.7	43.1	34.6	31.6	30.2
Revenue/search request (Rs)	10.2	9.8	9.7	9.8	9.9
Revenue growth/campaign (%)	1.52	14.46	4.62	5.21	5.69

Source: Company, Centrum Research Estimates

**Sensitivity Analysis****Exhibit 34: Sensitivity of key variables (FY14E)**

Sensitivity to key variables	% increase	% impact on EBITDA	% impact on EPS
Search request growth	1%	2.30%	2.10%
Revenue/search request (Rs)	1%	3.20%	2.90%
Employee cost	1%	-1.30%	-1.10%

Source: Company, Centrum Research Estimates

## Valuations to remain high

We believe valuations at 47.9x FY14E and 35.3x FY15E may appear high, but it needs to be seen in context with the strong business model and other operating parameters. The stock is trading at FCF yield of 3.1% for FY16E and 1.04x FY14E PEG. We see attractive risk reward for Just Dial, given that,

- It has revenue CAGR of 31.9%, operating margin expansion of 442bps and PAT CAGR of 44.17% over FY13-16E.
- Local search industry is in a sweet spot with increasing internet penetration and shift from voice to mobile & internet
- It follows an asset light business model with negative working capital cycle and strong FCF
- Has healthy return ratios and expectations of high dividend payout even though the company does not have a stated dividend policy

We believe PE is the favoured methodology for valuing internet stocks globally with multiples being a function of growth levels and macro environment. With limited investment options in India to play the internet theme (Info Edge only listed player in India), listed companies enjoy significant premium.

We believe stocks with high valuations may not necessarily generate lower shareholder return. Jubilant Foodworks, Titan, Nestle, HDFC Bank and TCS are some examples. These stocks have traded at high PE multiples and above sector average for a prolonged time frame supported by strong earnings and generated high shareholder return over the same period. Hence we believe that despite Just Dial trading at high valuations it could generate high shareholder returns on the back of strong earnings growth.

### Exhibit 35: High valuation may not generate low shareholder returns

Company Name	CAGR period	Stock Return (%)	Sales Growth (%)	EBITDA Growth (%)	PAT Growth (%)	PE - start & end of CAGR period	
Jubilant Foodworks	FY10-13	57.3	49.20	55.6	62.70	32.5	44.5
Titan	FY08-13	37.3	27.56	32.2	37.22	28.5	27.4
Nestle India	CY07-12	29.6	18.80	24.8	20.90	25.5	38.0
HDFC Bank*	FY08-13	19.0	27.59	27.4	35.26	3.7	3.5
TCS	FY07-11	18.50	18.88	21.4	21.09	23.5	22.0

Source: Bloomberg, Company, Centrum Research, Note: \*P/BV for HDFC Bank

Hence we value Just Dial at 35x Sept 2015 EPS of Rs25.8, and initiate coverage with a BUY rating on the stock with a target price of Rs902 and believe premium valuations will sustain. Based on our target price, the stock would be valued at 20.5x FY16 EV/EBIDTA, 1.2x FY14 PEG and 30x FY16 PE.

### Exhibit 36: Peer comparison

Company	Mkt Cap (USD mn)	CAGR FY13-FY15E (%)			EBITDA Margin (%)			PE (x)			EV/EBITDA (x)			RoE (%)			Div Yield (%)		
		Rev.	EBITDA	PAT	FY13	FY14E	FY15E	FY13	FY14E	FY15E	FY13	FY14E	FY15E	FY13	FY14E	FY15E	FY13	FY14E	FY15E
Just Dial*	843	31.8	37.9	46.6	27.8	29.6	30.4	75.8	47.9	35.3	47.6	34.0	24.4	26.3	23.8	26.8	0.5	0.7	1.0
Yelp Inc	4,291	55.0	NA	NA	(7.5)	12.5	17.7	(188.0)	330.7	124.9	NA	148.4	70.7	NA	1.4	12.7	0.0	0.0	0.0
ReachLocal Inc	336	14.1	68.9	NA	3.1	5.9	6.8	(1,199)	28.3	20.5	19.0	NA	NA	(0.3)	10.4	14.5	0.0	0.0	0.0
LinkedIn Corp	28,290	48.4	103.7	253.1	14.1	24.6	26.5	1,140.8	155.2	109.3	86.6	73.8	47.8	2.8	10.7	14.8	0.0	0.0	0.0
Google Inc	295,400	4.6	26.7	28.1	31.3	45.2	46.0	27.0	20.4	17.3	12.0	11.2	9.1	16.5	17.3	17.4	0.0	0.0	0.0
Baidu Inc	52207	35.8	16.6	14.2	56.3	43.7	41.5	30.6	29.3	23.7	15.9	22.2	17.0	50.6	33.6	30.6	0.0	0.0	0.0
TripAdvisor Inc	10652	23.6	23.4	29.7	42.3	40.0	42.1	53.5	43.3	33.1	18.0	27.9	20.8	37.9	29.4	31.2	0.0	0.0	0.0
SINA Corp/China	5319	23.7	167.1	105.2	4.0	8.2	18.6	166.3	97.5	43.5	125.0	86.8	29.8	2.9	2.9	9.1	0.0	0.0	0.0
OpenTable Inc	1613	16.8	40.2	51.4	30.5	42.3	43.9	66.3	37.3	31.7	20.6	18.7	14.7	17.2	20.4	21.2	0.0	0.0	0.0
Info Edge (India)*	547	18.2	18.9	12.4	34.3	33.7	34.7	26.1	25.4	20.6	18.1	15.1	11.4	21.1	18.6	19.3	0.3	0.3	0.4

Source: Bloomberg Consensus Estimates, \*Centrum Research Estimates

## Key Risks

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### Regulatory Risk

DoT has framed telemarketing guidelines which regulate commercial messages transmitted through telecommunication services. These guidelines require that any person or entity engaged in telemarketing obtain registration from the DoT. Just Dial's voice-based and text-based services are subject to telemarketing guidelines and the restrictions provided for therein. The Customer Preference Regulations prohibit the transmission of unsolicited commercial communications via calls or SMSs to those who are registered with do-not-disturb (DND) list with certain exemptions. Any further restriction or regulation to share customer data that could lead to regulating classified content could dampen future prospects of the company.

### Growth at cost of working capital

Recently, the company changed its business model by not taking any advances from customers for campaigns, impacting its working capital. We believe that to increase paid subscribers if the company changes its business model again, working capital and cash flows could be impacted significantly.

### Employee attrition

~62% of the employees of the company are either tele-sales executives (36.9%) or information retrieval officers (25%) who interact with customers in call centres. High employee attrition in this segment could impact the business significantly.

### Technology risk

Just Dial uses telecommunications and information technology systems, networks and infrastructure to operate its business and any interruption or breakdown in such systems could impact the company's ability to effectively provide its products and services.

Coupled with this, the company needs to regularly innovate in terms of content delivery and evolve with technology as it has done in the past from print-to-voice-to-internet-to-mobile.

### Competition

Just Dial competes with a variety of advertising channels ranging from Internet search engines, operator-assisted directory information services, radio, television, traditional printed directories and other printed platforms such as telephone directories, newspapers, magazines and billboards. They compete with all these channels for both the users and a share of the overall advertising business in India.

### High dependence on Google for online traffic

According to the management, ~80% of the web traffic and ~30% of WAP traffic is through Google for Just Dial. If Google enters this business in the future its revenues will be impacted.

**Exhibit 37: Shareholding pattern (%)**

	Q1FY14	2 June 13	Q3FY13	Q2FY13
Promoters	33.13	33.13	NA	NA
FII	18.77	14.85	NA	NA
DII	6.57	7.84	NA	NA
Others	41.53	44.18	NA	NA

Source: BSE, Centrum Broking

**Company Background**

Just Dial is one of the leading local search engines in India. It provides users with information & reviews from its proprietary database of local businesses, products and services across India. The search service is available to users through multiple platforms: Internet, mobile Internet, telephone (voice) and text (SMS). Its search service bridges the gap between users and businesses by helping users find relevant providers of products and services quickly while helping businesses listed in its database to market their offerings.

**Exhibit 38: Key milestones**

Year	Event
1993	A&M Communications Pvt. Ltd was incorporated
1996	Commencement of local search services in Mumbai with the telephone number - 888 8888
1997	The brand 'Just Dial' was registered
2000	Secondary sale of 50% stake by the promoters to Indiatel.com Pvt. Ltd
2006	Investment of Rs546.9mn by SAIF II Mauritius Company Ltd (SAIF)
2006	Change of the company's name from A&M Communications Pvt. Ltd to Just Dial Pvt. Ltd
2007	Launch of the company's website <a href="http://www.justdial.com">http://www.justdial.com</a>
2007	Investment of Rs165.3 mn by Tiger Global Four Holdings and Tiger Global Principals Ltd and second round of investment of Rs40.1 mn by SAIF
2007	Launch of mobile internet and SMS-based search services
2009	Investment of Rs383.5mn by Sequoia Capital India Investments III (Sequoia Capital), Rs308.8mn by Tiger group and Rs95.9 mn by SAIF
2009	Website receives 25 million visits in a year for the first time
2011	Demerger of activities and operations pertaining to IT-related testing and other related services of the Company to JD Global
2011	Investment of Rs166.9 mn by SAPV (Mauritius) and Rs166.9 mn by EGCS Investment Holdings
2012	Investment of Rs3,269.5 mn by Sequoia Capital India Growth Investment Holdings I, SCI Growth Investments II and second round of investment by SAPV (Mauritius)

**Exhibit 39: Key management personnel**

Name	Designation	Brief Profile
<b>B. Anand</b>	Chairman and Independent Non-Executive Director	He has approximately 26 years of experience in the fields of corporate finance, strategy and investment banking. He is currently the CFO of Trafifura India Pvt Ltd. He has previously worked with companies like the Future Group, Vedanta Resources plc, Motorola India, Credit Lyonnais Bank SA, HSBC Bank plc, IL&FS and Citibank, N.A.
<b>V.S.S. Mani</b>	Managing Director	V.S.S. Mani is the Founder of Just Dial. Prior to the Company's incorporation, he co-founded 'Ask Me Services' and also worked with United Database India Pvt Ltd. He is now engaged in exploring possibilities for technological innovation of the business.
<b>Ramani Iyer</b>	Non-Independent, Non-Executive Director	He is the co-founder of Just Dial and is responsible for its various functions, including business development and expansion, operations, strategic planning and execution. He holds a Diploma in Hotel Management from the Delhi Institute of Management & Services and has around 20 years of experience
<b>V. Krishnan</b>	Non-Independent, Executive Director	V. Krishnan is a co-founder and has around two decades of experience in the field of strategic planning and execution. Mr. Krishnan has played a key role in business development and expansion, operations, strategic planning and execution
<b>Ravi Adusumalli</b>	Non-Independent, Non-Executive Director	He holds a Bachelor's degree in Economics and Government from the Cornell University, US A. and has almost two decades of experience in the field of finance and investment. He heads the India office of SAIF and is currently a Managing Partner.
<b>Malcolm Monteiro</b>	Independent, Non-Executive Director	He has graduated with a Bachelor's degree in Electrical Engineering from the IIT, Mumbai. He is also a post-graduate in Business Management from the IIM, Ahmedabad. Mr. Monteiro is the Chief Executive Officer of DHL Express, South Asia and a member of the DHL Asia Pacific Management Board. He is also a Director on the Board of Blue Dart Express Limited
<b>Sanjay Bahadur</b>	Independent, Non-Executive Director	He holds a Bachelor's degree in Civil Engineering from the Delhi College of Engineering and has almost three decades of experience in the field of construction and is currently the CEO of Pidilite Industries Ltd for its Global Constructions and Chemicals division.
<b>Shailendra Jit Singh</b>	Non-Independent, Non-Executive Director	He holds a Masters degree in Business Administration, with distinction, from Harvard Business School and is also a B. Tech in Chemical Engineering from the IIT, Mumbai. He has around 13 years of experience in the field of investment and financial services. Mr. Singh is currently the Managing Director of Sequoia Capital India Advisors Private Limited



## Financial Summary

### Exhibit 40: Income Statement

Y/E March (Rsmn)	FY12	FY13	FY14E	FY15E	FY16E
<b>Net Sales</b>	<b>2,621</b>	<b>3,628</b>	<b>4,762</b>	<b>6,310</b>	<b>8,333</b>
Growth (%)	42.5	38.4	31.3	32.5	32.1
Employee Cost	1,308	1,779	2,271	2,994	3,792
%of Sales	49.9	49.0	47.7	47.5	45.5
Rent	119	156	195	244	317
%of Sales	4.6	4.3	4.1	3.9	3.8
Admin & other expenses	520	685	885	1,153	1,539
% of sales	19.9	18.9	18.6	18.3	18.5
<b>EBIDTA</b>	<b>672</b>	<b>1,008</b>	<b>1,411</b>	<b>1,919</b>	<b>2,685</b>
EBIDTA Margins (%)	25.7	27.8	29.6	30.4	32.2
Depreciation	90	144	207	258	329
Interest expenses	0	0	0	0	0
<b>PBT for operations</b>	<b>582</b>	<b>864</b>	<b>1,203</b>	<b>1,660</b>	<b>2,356</b>
Other income	132	135	380	490	640
Exceptional item	-	(15)	-	-	-
<b>PBT</b>	<b>713</b>	<b>984</b>	<b>1,583</b>	<b>2,150</b>	<b>2,996</b>
Provision for tax	209	300	475	645	899
Effective tax rate (%)	29.3	30.4	30.0	30.0	30.0
<b>Net Profit</b>	<b>504</b>	<b>685</b>	<b>1,108</b>	<b>1,505</b>	<b>2,097</b>
<b>Adj Net Profit</b>	<b>504</b>	<b>700</b>	<b>1,108</b>	<b>1,505</b>	<b>2,097</b>

Source: Company, Centrum Research Estimates

### Exhibit 41: Key Ratios

Y/E March	FY12	FY13	FY14E	FY15E	FY16E
<b>Growth ratios (%)</b>					
Revenues	42.5	38.4	31.3	32.5	32.1
EBIDTA	48.1	50.0	39.9	36.0	39.9
Adj Net Profit	74.9	38.8	58.4	35.8	39.3
<b>Margin ratios (%)</b>					
EBIDTA Margins	25.7	27.8	29.6	30.4	32.2
PBIT Margins	22.2	23.8	25.3	26.3	28.3
PBT Margins	27.2	27.1	33.3	34.1	36.0
PAT Margins	19.2	19.3	23.3	23.9	25.2
<b>Return Ratios (%)</b>					
ROCE	41.0	22.5	18.0	20.6	23.8
RoNW	49.8	26.3	23.8	26.8	30.3
RoC	(55.6)	(72.6)	(3,043.2)	(874.2)	(552.9)
<b>Turnover Ratios (Days)</b>					
Inventory period	0	0	0	0	0
Collection period	0	1	1	1	1
Payment period	194	180	93	90	90
Net Working Capital	-153	-146	-57	-54	-54
<b>Solvency Ratio</b>					
Debt-equity	0.0	0.0	0.0	0.0	0.0
Net Debt-equity	-1.7	-1.2	-1.0	-1.0	-1.0
Current ratio	0.4	0.3	0.6	1.3	1.9
Interest coverage ratio	3,384	17,460	12,035	16,604	23,557
<b>Dividend</b>					
Dividend (Rs)	0.0	0.0	3.5	5.0	7.5
Dividend yield (%)	0.0	0.0	0.5	0.7	1.0
Dividend Payout (%)	0.0	0.0	25.8	27.2	29.2
<b>Per Share (Rs)</b>					
Basic EPS	9.7	9.8	15.9	21.5	30.0
FDEPS	7.2	10.0	15.9	21.5	30.0
CEPS	8.5	11.9	18.8	25.2	34.7
Book Value	15.3	60.8	72.7	88.4	109.6
<b>Valuations (x)</b>					
PER	105.3	75.9	47.9	35.3	25.3
P/BV	49.5	12.5	10.5	8.6	6.9
EV/EBIDTA	76.3	47.6	34.0	24.4	16.8
EV/Sales	19.6	13.2	10.1	7.4	5.4

Source: Company, Centrum Research Estimates

### Exhibit 42: Balance Sheet

Y/E March (Rsmn)	FY12	FY13	FY14E	FY15E	FY16E
Share Capital	519	695	699	699	699
Preference Share Capital	12	0	0	0	0
Reserves & Surplus	542	3,556	4,379	5,475	6,959
Share application money	-	8	-	-	-
<b>Total Shareholders Funds</b>	<b>1,072</b>	<b>4,259</b>	<b>5,077</b>	<b>6,174</b>	<b>7,658</b>
Loan Funds	1	0	0	0	0
Deferred Tax Liabilities	-9	9	9	9	9
<b>Total Capital Employed</b>	<b>1,065</b>	<b>4,269</b>	<b>5,087</b>	<b>6,183</b>	<b>7,667</b>
<b>Fixed Asset</b>					
Gross Block	616	995	1,295	1,645	2,095
Acc Depreciation	268	388	595	853	1,182
Net Block	348	608	700	792	913
Capital WIP	12	16	16	16	16
<b>Total fixed assets</b>	<b>360</b>	<b>623</b>	<b>716</b>	<b>808</b>	<b>929</b>
Investments	1568	4858	4858	4858	4858
Debtors	-	9	13	17	23
Loans & advances	262	318	476	631	833
Other current assets	40	27	-	-	-
Cash & bank balances	237	239	257	1,458	3,108
<b>Total current assets</b>	<b>540</b>	<b>593</b>	<b>746</b>	<b>2,107</b>	<b>3,964</b>
Current liab and provisions	1,404	1,806	1,233	1,589	2,083
<b>Net current assets</b>	<b>(864)</b>	<b>(1,213)</b>	<b>(487)</b>	<b>518</b>	<b>1,881</b>
<b>Total</b>	<b>1,065</b>	<b>4,269</b>	<b>5,087</b>	<b>6,183</b>	<b>7,667</b>

Source: Company, Centrum Research Estimates

### Exhibit 43: Cash Flow

Y/E March (Rsmn)	FY12	FY13	FY14E	FY15E	FY16E
<b>CF from operations</b>					
Profit before tax	713	984	1,583	2,150	2,996
Depreciation & amortisation	90	144	207	258	329
Others	-126	-136	-380	-490	-640
<b>CF before WC changes</b>	<b>678</b>	<b>993</b>	<b>1,411</b>	<b>1,919</b>	<b>2,685</b>
Working capital changes	394	351	-708	197	286
<b>Cash inflow from operations</b>	<b>1,072</b>	<b>1,344</b>	<b>703</b>	<b>2,116</b>	<b>2,971</b>
Income tax paid	-206	-281	-475	-645	-899
<b>Cash from Operations</b>	<b>866</b>	<b>1,063</b>	<b>228</b>	<b>1,471</b>	<b>2,072</b>
<b>Cash from investing</b>					
Capex	-176	-383	-300	-350	-450
Investments	-313	-3,290	0	0	0
Others	-340	135	380	490	640
<b>Cash from investing</b>	<b>-830</b>	<b>-3,537</b>	<b>80</b>	<b>140</b>	<b>190</b>
<b>Cash from financing</b>					
Borrowings/ repayments	-0	-1	0	0	0
Interest paid	-0	-0	-0	-0	-0
Equity/ Share Capital	5	2,478	-4	0	0
Dividend & Dividend Tax	0	0	-286	-409	-613
<b>Cash from financing</b>	<b>5</b>	<b>2,477</b>	<b>-290</b>	<b>-409</b>	<b>-613</b>
<b>Net change in cash</b>	<b>41</b>	<b>2</b>	<b>17</b>	<b>1,202</b>	<b>1,649</b>

Source: Company, Centrum Research Estimates

## Appendix A

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