



JustDial

Sector: Internet

IPO Note

Offer Price: ₹470 to ₹543

Leading local search engine in India

About the company-

JustDial Ltd. is one of the leading local search engines in India offering its services to users in a fast, free, and reliable manner through multiple delivery channels of mobile internet, internet, voice, and text. The company, owing to its first mover advantage and superior execution, has built a strong database of 9.1mn SMEs for its customers and enjoys a strong brand recall amongst its existing and potential customers. The company was incorporated in 1993 as A&M Communications Private Limited.

The Business:

JustDial operates as an aggregator and distributor of third party data through various platforms like internet, voice, mobile internet and text. The company also attempts to engage its users and influence their purchasing decisions through a collection of user reviews and ratings for businesses listed with the company.

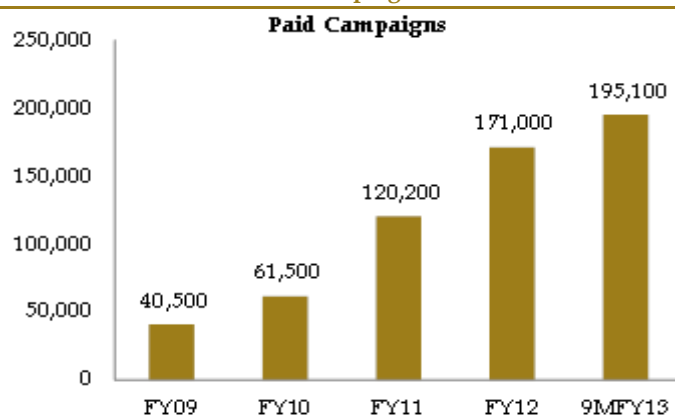
The company's service is free for individuals and hence, JustDial relies on paid advertiser campaigns of products and services (mostly from SMEs) for generating revenues. The business model is attractive as SMEs often have limited resources and ability for S&M (Sales and Marketing) of their services and products; and JustDial offers targeted marketing in a cost-effective and efficient manner. SMEs, on the other hand, do not have many other alternatives in terms of cost effectiveness and reach which compare favorably to JustDial.

Exhibit 1: Virtuous cycle describes business and growth opportunities for JustDial



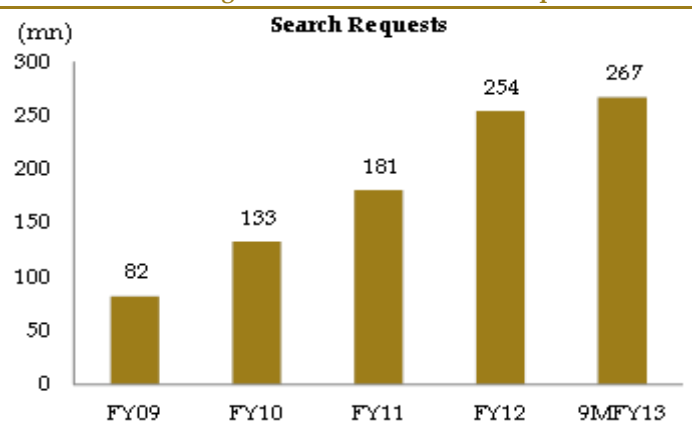
Source: Company, Trust

Exhibit 2: Growth in Paid Campaigns



Source: Company, Trust

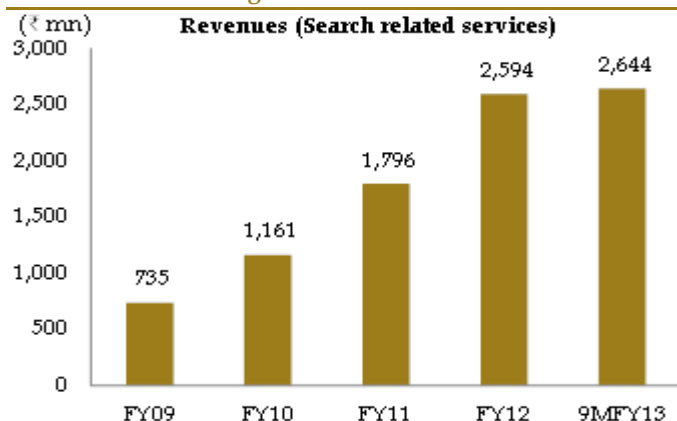
Exhibit 3: Resulting from increase in Search Requests



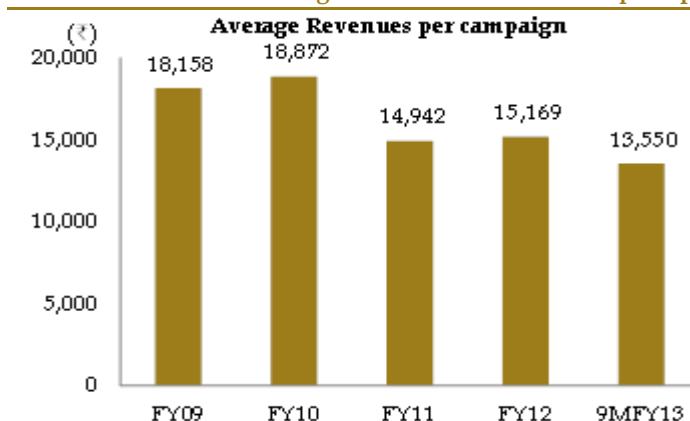
Source: Company, Trust

**Characteristics of the Financial Model:**

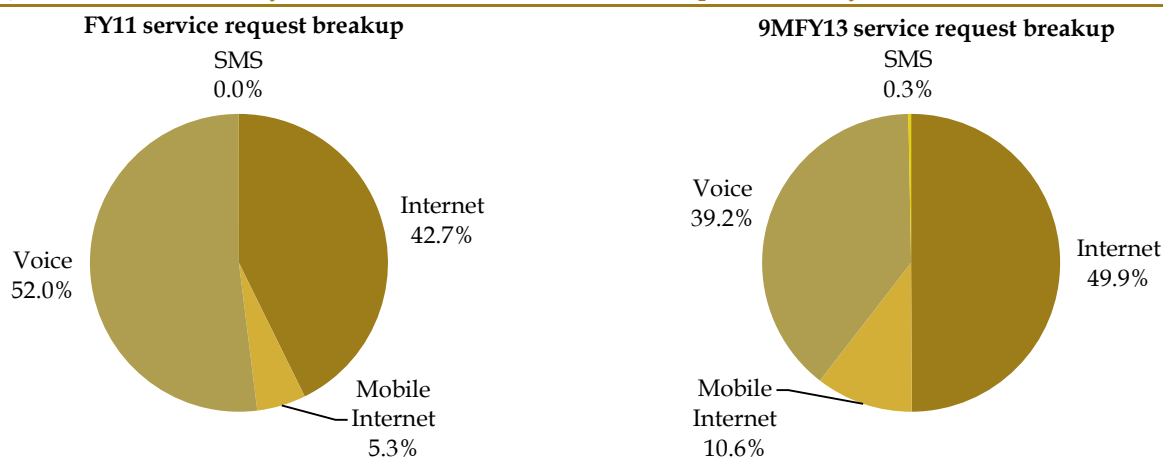
JustDial's revenues are a function of paid campaigns and average realizations per paid campaign. The company has 9.1mn listings in its database as of 31-Mar-2013 while paid campaigns were 0.2mn during 9MFY13, representing a penetration of just 2.2% and suggesting headroom for years of growth. The company provides two types of advertisement packages – Premium (22% of total paid campaigns) and Non premium (78% of total paid campaigns) to its paying customers. In premium membership, advertisers may choose to purchase a fixed percentage of leads for the chosen category depending on their plan and payment charges. In non-premium membership, advertisers enjoy the benefit of priority listing (over free listings) in the chosen category and geography. The amount payable to JustDial for non-premium advertisers is directly proportional to number of times the advertiser's business is displayed and number of members in the category.

Exhibit 4: Revenues grew at a CAGR of 52% over FY09-12

Source: Company, Trust

Exhibit 5: Realizations have gone down as volumes went up sharply

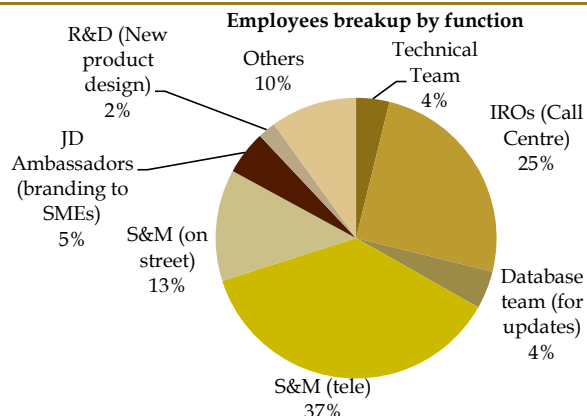
Source: Company, Trust

Exhibit 6: JustDial has successfully transitioned its business model from predominantly a voice based to an internet based

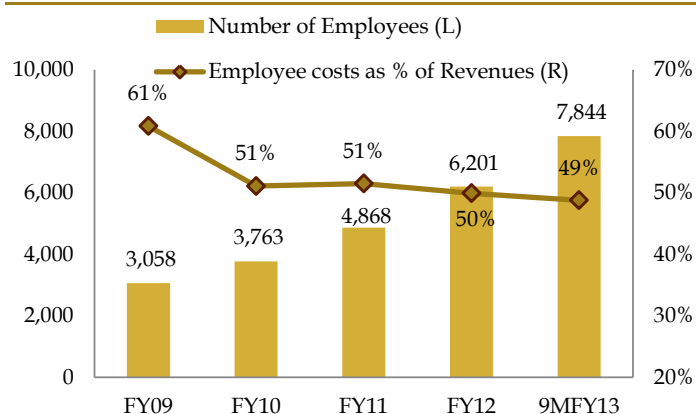
Source: Company, Trust

Geography-wise, JustDial's revenues are predominantly sourced from the top 11 cities in India (82% of total campaigns) and NCR and Mumbai together contribute 35% to the company's total paid campaigns.

JustDial's business is labor intensive with 7,342 employees as of 31-Mar-2013 and employee costs forming ~68% of the total pre-EBITDA cash expenses of the company. Remarkably, the company has been able to operate its employee costs as % of revenues in a narrow band of 49-51% over last three years.

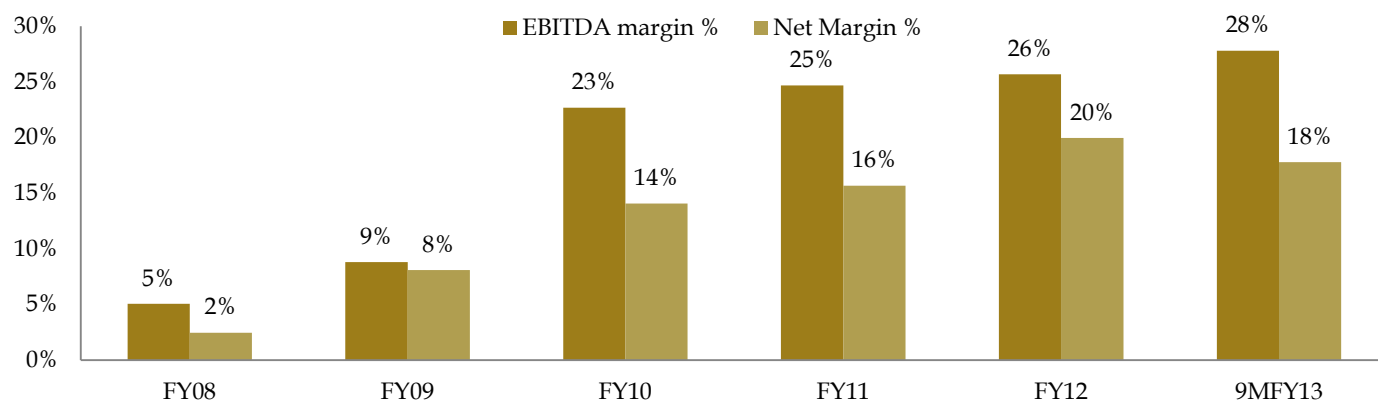
**Exhibit 7: 80% of the workforce is in client facing roles**

Source: Company, Trust

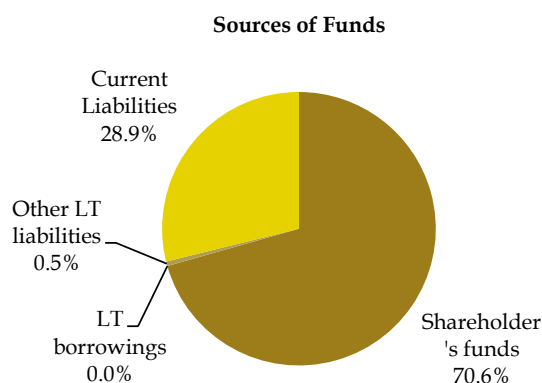
Exhibit 8: JustDial has a Labor intensive business model

Source: Company, Trust

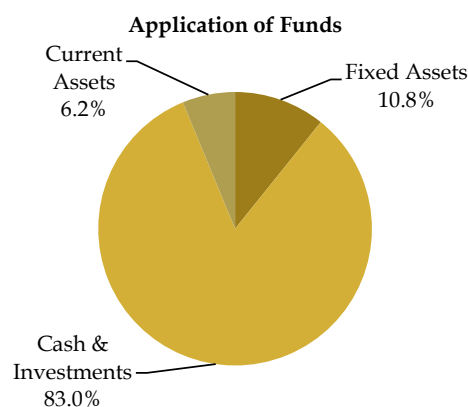
We believe that JustDial enjoys strong operating leverage in the business model as most of its costs are fixed in nature and hence, do not linearly correlate with revenues as it scales up its operations. Consequently, the company has shown expansion in its EBITDA margins consistently over last few years as it saw revenues (from Search related services) growing at a hefty pace of 50% FY08-12 CAGR.

Exhibit 9: EBITDA margins have gone up representing operating leverage built in the business model

Source: Company, Trust

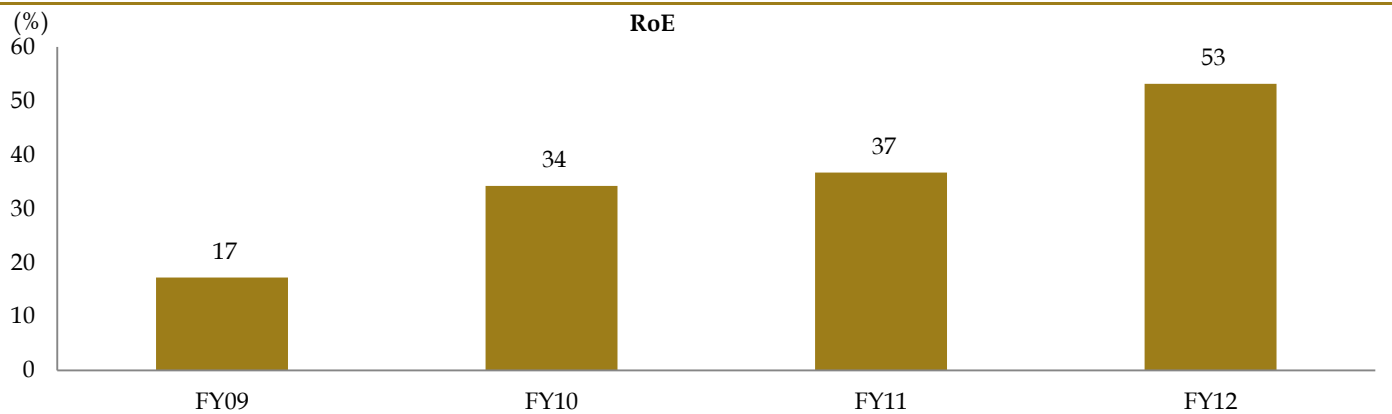
Exhibit 10: Balance Sheet break up (Liability side)

Source: Company, Trust

Exhibit 11: Balance Sheet break up (Asset side)

Source: Company, Trust

Exhibit 12: RoE profile of the company is impressive



Source: Company, Trust

Innovation and Growth Strategy:

JustDial is developing new products and services to retain its leadership in the local search market in India and expand its opportunity size. These new products and services include-

- Mobile apps - Objective is to increase presence and reach by developing new apps for Blackberry and Windows Phone 7. JustDial is already present in iOS and android platforms.
- Enabling Transactions - JustDial is trying to develop the ability for users to complete a number of bookings and purchase transactions along with the search results using a customer friendly interface.
- Car listings - JustDial is developing capabilities to sell and buy goods and services through its website which will also include capability to rate products and services online. The company is planning to start this functionality with cars listings.
- Quick Quotes - JustDial is planning to develop a platform where businesses will be able to provide and update quotes to customers searching for those products and services.

Exhibit 13: JustDial has multiple growth engines in place



Source: Company, Trust



Key Risks

- **Competitive Landscape**
JustDial faces competition from various advertisement channels, platforms, and existing and potential players operating in the advertising ecosystem as it competes for its share of revenues from advertisement and marketing spend pool. In terms of existing competitors, JustDial faces competition from Google, Infomedia Yellow Pages, Sulekha, Askme, and Getit Yellow Pages in India.
- Promoters have interest in other business entities engaged in a similar business as JustDial and operating in US and Canada. These group companies may consume JustDial promoters' bandwidth and focus.
- There are certain qualifications noted by the Auditors (S. R. Batliboi & Associates) which point towards deficiencies in certain aspects of JustDial's internal financial control systems when compared to its scale of operations. These deficiencies, if not taken care of, may impact performance of the company in future.
- JustDial is dependent on other internet based search engines (including Google) to get a substantial portion of internet traffic to its web site.

Please refer to Red Herring Prospectus for a detailed discussion of Risk factors.

Promoter Group

Exhibit 14: Brief profile of JustDial's promoters

Promoters	Name	Age (Years)	Relationship with the company
1	V.S.S. Mani	47	Managing Director and Chief Executive Officer
2	Anita Mani	44	Former Director of JustDial Company
3	Ramani Iyer	44	Non-Independent, Non-Executive Director of JustDial
4	V. Krishnan	42	Non-Independent, Executive Director of JustDial

Source: Company, Trust

Pre-offer and Post-Offer Shareholding

Exhibit 15: Shareholding Pattern of JustDial Ltd.

	Pre-Offer	Post-Offer
Promoters	37%	33%
Sequoia	18%	14%
SAIF	20%	11%
Tiger Global	20%	13%
EGCS	1%	0%
SAPV	2%	1%
Amitabh Bachchan	0%	0%
Employees	2%	2%
Public	0%	25%
Total	100%	100%

Source: Company, Trust

IPO Pricing and Valuation

Exhibit 16: JustDial IPO Pricing details

	Floor Price	Ceiling Price
Price per share (₹)	470	543
Amount to be Raised (₹mn)	8,224	9,501
Market Capitalization (₹mn)	32,840	37,941
Retail investors	10% discount and Safety net	
9M annualized P/E (x)	52.3	60.4
Number of Shares on offer		17.5mn
Objective	To provide liquidity to existing shareholders and to enhance brand perception	

Source: Company, Trust



Exhibit 17: Relative Valuation Comps for JustDial

	Market Cap (US\$ mn)	P:E		EV:S		EV:EBITDA	
	17-May-13	CY13	CY14	CY13	CY14	CY13	CY14
Yelp Inc	1,957	298.3	77.2	8.5	6.0	82.5	38.0
FB Inc	63,125	46.0	33.5	8.3	6.6	15.9	12.5
Groupon Inc	4,570	40.1	24.3	1.3	1.2	11.4	9.4
ValueClick Inc	2,021	14.3	12.8	2.7	2.4	7.9	6.9
ReachLocal Inc	391	31.8	23.2	0.6	0.5	10.1	7.4
SOHU.com Inc	2,342	22.1	16.0	1.4	1.2	5.6	4.4
IAC Corp	4,504	13.0	10.9	1.4	1.3	7.3	6.2
Median		31.8	23.2	1.4	1.3	10.1	7.4
Mean		66.5	28.3	3.5	2.7	20.1	12.1

Source: Bloomberg dated 17-May-2013, Trust



Financials

Income Statement

(₹mn)	FY09	FY10	FY11	FY12	9MFY13
Revenues	859	1,309	1,839	2,621	2,645
Search related services	735	1,161	1,796	2,594	2,644
Yellow Pages Publication	124	148	-	-	-
Other Operating (Reseller revenues)	-	-	43	27	1
Operating Metrics					
Paid Campaigns	40,500	61,500	120,200	171,000	195,100
Average Revenues per campaign	18,158	18,872	14,942	15,169	13,550
Search Requests (mn)	82	133	181	254	267
Internet	28	57	77	124	133
Mobile Internet	2	5	10	14	28
Voice	52	72	94	116	105
SMS	0.1	0.0	0.0	0.6	0.8
Expenses	(783)	(1,012)	(1,385)	(1,948)	(1,910)
Employee benefits expense	(523)	(669)	(947)	(1,308)	(1,290)
As % of revenues	-61%	-51%	-51%	-50%	-49%
Number of Employees	3,058	3,763	4,868	6,201	7,844
Average Salary per employee		(196,106)	(219,481)	(236,403)	(244,984)
Wage hike %			12%	8%	4%
Other expenses	(261)	(343)	(438)	(639)	(620)
EBITDA	76	297	454	673	735
EBITDA margin %	9%	23%	25%	26%	28%
D&A	(41)	(53)	(68)	(90)	(102)
D&A as % of revenues	-5%	-4%	-4%	-3%	-4%
EBIT	35	245	386	583	633
EBIT margin %	4%	19%	21%	22%	24%
Other Income	59	39	37	150	56
Finance Cost	(0)	(0)	(0)	(0)	(0)
PBT	94	283	423	732	689
PBT margin %	11%	22%	23%	28%	26%
Tax	(24)	(99)	(135)	(209)	(218)
ETR %	-26%	-35%	-32%	-29%	-32%
PAT	69	184	288	523	471
Minority Interest	-	0	-	-	-
Net Profit - Continuing Operations	69	184	288	523	471
Net Margin %	8%	14%	16%	20%	18%
RoE %	17	34	37	53	25
WANS (mn)	48	48	52	52	68
EPS (₹)	0.3	2.7	4.7	9.4	6.9

**Balance Sheet**

(₹mn)	FY09	FY10	FY11	FY12	9MFY13
Sources of Funds	454	656	949	1,057	4,079
Shareholder's funds	439	638	932	1,034	4,048
Equity Capital	9	9	519	519	694
Preference Capital	3	3	2	12	-
Reserves and Surplus	428	627	411	503	3,354
LT borrowings	-	3	1	-	-
Other LT liabilities	15	15	16	23	31
Application of Funds	454	656	949	1,057	4,079
Fixed Assets	149	192	273	360	618
Tangible	137	182	254	327	542
Intangible	12	10	19	21	64
Capital WIP	-	-	-	3	-
Intangibles under development	-	-	-	9	12
DTA	127	28	12	9	-
Other non-current assets	0	0	-	-	-
Investments	402	780	1,160	1,568	4,501
Current	402	780	1,160	1,568	4,501
LT					
Current Assets	277	235	449	540	615
Trade receivables	1	0	11	-	4
Cash & Equivalents	204	121	201	237	258
Loan and Advances	72	113	232	263	332
Other Current Assets	-	-	4	40	22
Current Liabilities	501	578	945	1,421	1,655
Trade payables	20	31	50	44	64
Other current liabilities	451	535	875	1,326	1,563
LT&ST provisions	30	13	21	52	28

**Cash Flows**

(₹mn)	FY09	FY10	FY11	FY12	9MFY13
Cash from Operations					
PBT (excluding other income)	35	245	386	583	633
D&A	41	53	68	90	102
Other Income	4	15	25	54	1
Operating profit before WCap changes	80	312	479	726	736
Changes in WCap	21	82	259	384	186
Change in Receivables	7	1	(11)	(53)	(4)
Change in Other CA	-	-	(4)	3	0
Change in Loans and Advances	(31)	(8)	(93)	(21)	(89)
Change in Payables	(8)	10	20	(5)	20
Change in other CL	80	79	347	454	253
Change in other non-current liabilities	(26)	(0)	1	7	6
Direct taxes paid / Others	(40)	(45)	(133)	(209)	(238)
Net cash from operating activities	61	350	605	902	685
Cash from Investing					
Capex	(62)	(99)	(192)	(231)	(309)
Proceeds from sale of fixed assets	2	0	16	0	0
Purchase of investments	(76)	(233)	(388)	(1,092)	(2,888)
Other Income	59	39	37	150	56
Miscellaneous	(22)	(4)	(2)	29	(44)
Net cash from investing activities	(98)	(298)	(528)	(1,144)	(3,185)
Cash from Financing					
Equity Raising (including Preference)	-	2	1	334	2,522
Change in Borrowings	(2)	4	(1)	(1)	(1)
Finance costs	(0)	(0)	(0)	(0)	(0)
Dividends Paid	(2)	-	-	-	-
Miscellaneous	(0)	(0)	(1)	(41)	1
Net cash from financing activities	(4)	6	(1)	291	2,521
Net Increase/Decrease in Cash	(41)	58	76	49	21



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