

JUST DIAL LIMITED. (JDL)

Stock Performance Details

Current Price	: Rs. 686.00
Face Value	: Rs. 10 per share
52 wk High / Low	: Rs. 761.80 / Rs. 588.85
Total Traded Volumes	: 1,98,884 shares
Market Cap	: Rs. 4,793.1 crore
Sector	: Publishing
EPS (FY2012)	: Rs. 9.71 per share
P/E (TTM)	: 101.03 (x)
P/BV (TTM)	: 12.95 (x)
Financial Year End	: 1 st April - 31 st March
BSE Scrip Name	: JUSTDIAL
BSE Scrip Code	: 535648

as on 11th July, 2013

Shareholding Details - June 2013

Particulars	Shareholding	
	Nos.	(%)
Promoter & Promoter Group Holding	2,31,49,199	33.13
Total Institutional Holdings (FIIs & DIIs)	1,58,53,217	22.69
Public Holdings	3,08,70,334	44.18
Total	6,98,72,750	100.00

IPO Objectives

Particulars	Amount (Rs. Million)
Offer For Sale Proceeds @ Issue Price of Rs. 530	9,500
Total	9,500

Background

- Just Dial Limited (JDL) is an India-specific local business listings site with a large database of approximately 9.1 million listings as of March 31, 2013 and local search engine that commenced its operations in 1996. The company later evolved as a voice based (telephonic) search service provider for most major cities across India. In 2007, Just Dial launched its internet and mobile internet services, keeping pace with the changing technology and user preferences.
- The company provides search service and user reviews of local businesses, products and services across India through multiple platforms such as internet, mobile internet, telephone (voice) and text (SMS) free of cost to the end users.
- Notably, the company addressed over 254.3 million search requests across its multiple delivery platforms in fiscal 2012. JDL is now known as one of the leading local search engines with a strong presence in the top 11 large cities in the country.
- While the company has a mix of paid and unpaid listings, it earns its revenues mainly from paid listing services and advertising campaigns for its paid advertisers who are essentially the small and medium enterprises (SMEs). As of December 31, 2012, JDL conducted approximately 195,100 campaigns for its paid advertisers which enable them to be featured on a priority basis in JDL's search results.
- In the current offer for sale by the promoters and private equity investors such as SAIF, Sequoia Capital, Tiger Global, EGCS and SAPV are offering an aggregate of 17.49 million shares or 25.2 per cent of the total paid up equity capital of the company. Post issue, the promoters will continue to hold 33 per cent in the company.
- JDL's initial international expansion in the U.S. and Canadian market was conducted through JD USA and JD Global. The company sold its equity interest in JD USA to JD Global in July 2011 and demerged its assets into JD Global. Nevertheless JDL provides services to JD Global and has also licensed the "Just Dial" brand to JD USA.

Financial Snapshot

Particulars	Standalone (Rs. million)					
	9M FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Income Statement						
Income from Operations	2,645	2,621	1,839	1,309	859	696
Y-o-Y Growth (%)		42%	41%	52%	23%	-
Other Income	71	132	37	39	59	20
Total Income	2,716	2,752	1,877	1,348	918	716
Y-o-Y Growth (%)		47%	39%	47%	28%	-
EBITDA	806	804	491	342	138	57
Y-o-Y Growth (%)		64%	43%	148%	143%	-
EBITDA Margin (%)	30%	29%	26%	25%	15%	8%
Net Profit	471	504	288	193	75	21
Y-o-Y Growth (%)		75%	49%	156%	261%	-
NPM (%)	17%	18%	15%	14%	8%	3%
Balance Sheet						
Total Debt	-	-	1.49	3.16	-	0.29
Liabilities & Provisions	1,644	1,382	943	577	485	419
Net Worth	4048	1034	954	657	450	372
Total Fixed Assets	617.56	360.28	271.93	188.25	141.89	123.30
Working Capital	3268.3	522.46	541.6	357.93	161.62	147.16
Balance Sheet Ratios						
Fixed Asset Turnover Ratio (x)	23.3 x	13.7 x	14.8 x	14.4 x	16.5 x	17.7 x
Debt / Equity (x)	0.0 x	0.0 x	0.0 x	0.0 x	0.0 x	0.0 x
Net Debt / EBITDA (x)	0.0 x	0.0 x	0.003 x	0.009 x	0.0 x	0.005 x
ROCE (%)	16.85%	69.07%	51.4%	50.58%	16.68%	6.73%
RONW (%)	11.13%	50.09%	35.86%	35.06%	14.38%	4.94%

Source : RHP, Note: Ratios are calculated based on data in the RHP

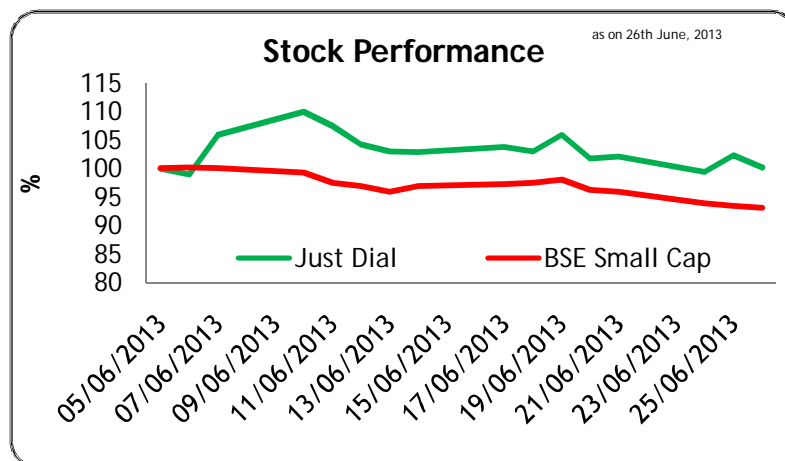
From the Research Desk of LKW's Gurukshetra.com

- The primary source of revenue for the company is derived from paid listing services and advertising campaigns for its paid advertisers who are essentially the small and medium enterprises (SMEs). The business model though simple, requires large scale listings of SMEs in its database. JDL earns its revenues by charging business owners (SMEs) by providing their contact details, address and user review to the customer looking for such information, either through voice based services or using internet or text SMSes. Notably the topline of the company has grown at a CAGR of 40 per cent between FY 2008 to FY 2012. One would do well to note that the company receives advance payment by the paid listings which include a one-time registration fee and an annual maintenance fee. While the former is recognized at the time of receipt, the latter is adjusted on a pro-rata basis over the period of the contract for tenure based contracts.
- JDL continues to enjoy satisfactory profit margins on account of its asset light model, efficient operations, zero debt and negative working capital requirements. The EBITDA

margin as reported have been over 25 per cent since FY 2010 and was almost 30 per cent for 9M FY 2013. While, the Net Profit Margin was over 17 per cent for the period under review.

- As the company does not have any debt on its books, for the fiscal year 2012, JDL's RONW of almost 50 per cent may not be comparable with the RONW of just 12 per cent for the 9M FY2013 on account of equity dilution and increase in the share premium due to private placement before the issue. Thus going forward, even though there is no equity dilution in the current issue, the efficiency ratio (ROCE and RONW) may remain subdued unless there is a notable increase in its bottomline. This would therefore impact the overall valuation of the company.
- The company also generates a noteworthy amount of free cash flows on account of lower incremental capex requirement for expansion, negative working capital cycle and higher margins. The same is reflected in the liquid assets (cash + investments) of close to Rs 4,900 million for 9M FY2013.

Performance on the Bourses



Peer Comparison

The company does not have any direct comparable peers which are listed in the Indian market with a similar business model (local search engine service providers) within the overall internet services space.

About the Industry

The local search engine market in India is fairly under-developed in terms of data base and consumer reach. Although there are more than a few players in the market, there is enormous scope for growth. There are untapped consumers as well as large number of businesses and service providers yet to be listed. According to the Ministry of Micro, Small and Medium Enterprises Annual report 2011 - 12 there are an estimated 31.2 million SMEs operating in India. This therefore provides a significant opportunity to local search engine service providers to grow.

Even though there is a large untapped potential in the Indian Local Search sector, some of these consumers may not even rely of such services as traditionally been dependant on acquaintances for the same. However, with information flooded over the internet there lies a huge untapped opportunity for such companies.

The local search market generally comprises offline and online search services. Offline local search services primarily includes print directory and phone based searches, where the chief source of revenue is advertisement fees paid by the business entities. Online local search involves the use of localized portals that allow users to search for geographically constrained results from a database of local listings. Major players have multi-channel access including phone, web and mobile portals, and advertising is the main source of revenue. The local search market has evolved from word of mouth and print directories as a mode of getting local information to professional phone, web-based and voiced-based and mobile phone search services.

Due to consumers becoming more receptive towards phone based searches, the offline search services market has expanded. With the proliferation of technology and advancement in the current market scenario, consumers are driven more towards saving time and effort. Most leading players have call centres which provide instant response to consumer queries. The key driver for online search services is the proliferation of internet, including mobile internet, and the growing number of users in India.

Local online search services help provide better visibility to small and local business owners by providing a 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 players in the local search services market include Justdial, Asklaila, Burrp, Getit, Infomedia18, Metromela, Onyomo, Sulekha and Timescity. Many of these players provide both offline and online local search services.

Outlook

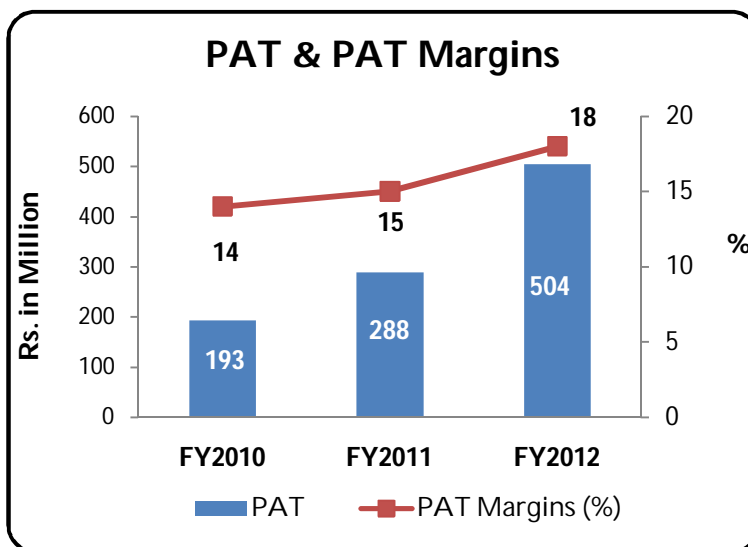
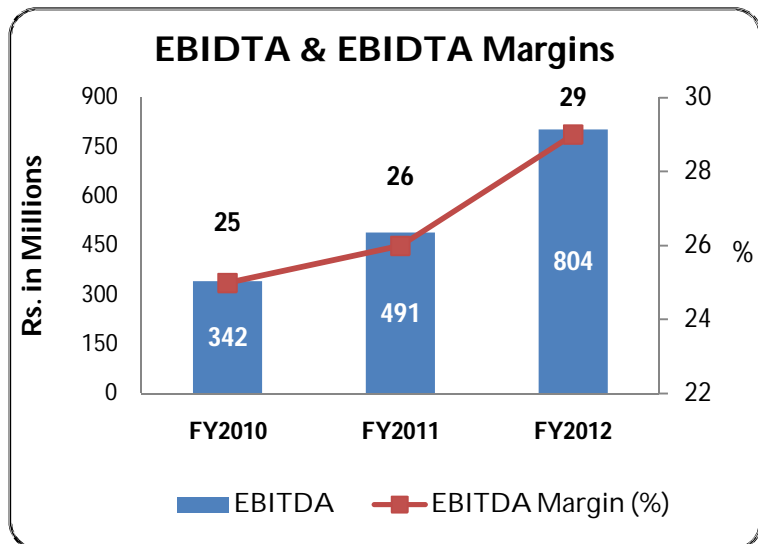
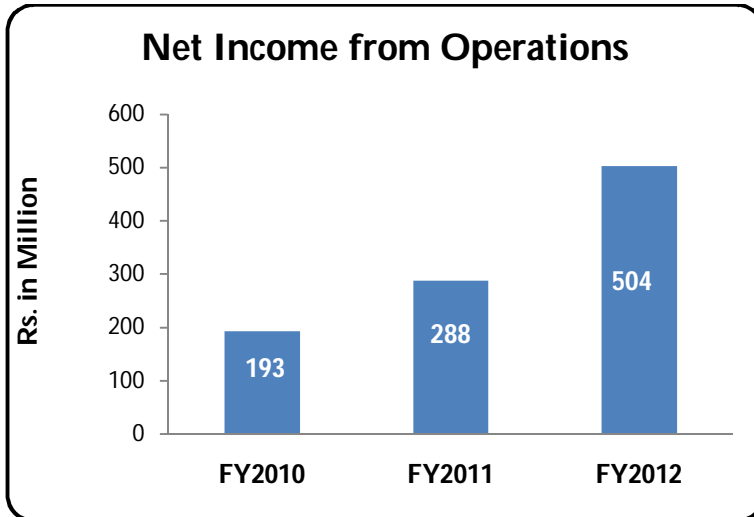
JDL is amongst one of the first and very few companies to have identified the business opportunity (created a new market) by offering comprehensive local search services in the country. The company has thus created a niche for itself by offering voice based search service upon request free of cost to its consumers seeking information on local businesses. JDL's first mover advantage, huge database and niche voice based service has earned itself a strong brand recognition. All these factors augur well for its overall business growth and improved brand name. This will inturn help JDL to expand its market presence and diversify its client base.

JDL's niche presence in the internet service provider's space allows it to enjoy pricing power as it provides value for money and targeted advertising option to its listed SMEs. This is further accentuated by the fact that most customers who user JDL search are more likely to make a purchase decision.

With over 9 million listings and growing, it may not be easy for its competitors to achieve these figures in the immediate further unless there is a consolidation amongst handful of new players which still seems to be distant possibility. The company is also looking to expand its presence in other major cities and newer markets. Further the company seems to offer attractive value propositions for its SMEs by offering cost effective platforms, personalized service and targeted advertising options.

However keeping aside the voice based search in which the company dominates, the company lacks strong brand recall in the internet search business which are dominated by websites offering niche search services like Zomato and Burrp for restaurants, Snapdeal for deals and Sulekha.com and Asklaila.com to name a few.

Emergence of new entrants, technology and user preference could further complicate the growth matrix. The moderate entry barrier risk is further accentuated by the fact that increasing number of searches are moving online, JDLs ability to differentiate itself amongst others need to be monitored. Moreover there are already handful of players in the industry offering online services such as Sulekha.com, Asklaila.com and new players like Zatse and Times Infoline. Resultantly ther could be an increase in the pricing pressure which could lead to rationalization of the margins currently enjoyed by the company and thus merit attnetion.

Financial Graphs


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