

Just Dial Limited

CRISIL IPO Grade 5/5 (Strong)

December 26, 2011

Grading summary

CRISIL has assigned a CRISIL IPO grade of '5/5' (pronounced 'five on five') to the proposed IPO of Just Dial Ltd (Just Dial). This grade indicates that the fundamentals of the IPO are strong relative to the other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate in relation to the issue fundamentals. The grade is not a recommendation to buy, sell or hold the graded instrument, its future market price or suitability for a particular investor.

The assigned grade reflects Just Dial's strong position in the local search market across India. Leveraging its first mover advantage in phone-based search engine, Just Dial has created India's largest local search database (~6 mn products and service providers) and a business model which has been difficult to replicate. Its search volume has grown multi-fold, thanks to its fast service, relevant search results, updated database and technology, whereby it has created a strong brand image. It has successfully trebled its paid campaigns over FY09-11 to 120,200 in end-FY11, and enjoys 100% advance payments from its clients, who are mostly micro, small and medium enterprises (MSMEs).

The grade is further strengthened by Just Dial's experienced and proactive management, who has enabled the company to meet users' expectations on two fronts: technology and search content. Having initiated with phone-based search, it was quick to embrace the new-era media of the mobile phones (SMSes), internet and mobile internet. Further, the company has indigenously developed its technology platform and search algorithm which enables it to provide search results that are relevant to users' requirements. The number of search requests across all search platforms is up at 180 mn in FY11 from 26 mn in FY07.

While Just Dial has consistently innovated itself and stayed ahead of its competitors, who are mostly loss making, any aggressive move by larger players, like Google India, remains a key monitorable. As the company grows, maintaining management bandwidth to oversee the growth will be a monitorable, particularly in the backdrop of global expansion through a different promoter entity. Also, Just Dial has to keep itself abreast of new technologies and new applications to stay ahead of the pack.

Just Dial has grown its revenues at a four-year CAGR of ~39% to Rs 1,899 mn in FY11 and improved its PAT margin to 15.1% in FY11 from 3.3% in FY07. According RoE improved to 36.6% in FY11 from 14.6% in FY07.

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About the company

Just Dial was incorporated in 1993 by Mr V.S.S. Mani as A&M Communications Pvt. Ltd. The local search services business was started three years later. Over the years, Just Dial has expanded its operations across India with a strong presence in top 11 large cities to become India's leading local search engine.

Just Dial provides search services across two main genera: company search - a specific or any business; category search - product or service based on a given classification, location or key words. Having started with live operator-assisted phone (voice) search service, in keeping with the times, it launched internet-, mobile internet- and SMS-based services five years ago. While the search service is free for users, the company generates revenues from paid advertisers who subscribe to its fee-based campaign packages to be given priority ranking in the search results.

Key milestones

Year	Event
1993	A&M Communications Pvt. Ltd was incorporated
1996	Commencement of local search services in Mumbai with the telephone number - 8888 8888
1997	The brand 'Just Dial' was registered
2000	Secondary sale of 50% stake by promoters to Indiainfo.com Pvt. Ltd
2006	Investment of ~Rs 546.9 mn by SAIF II Mauritius Company Ltd (SAIF)
2006	Change of company's name from A&M Communications Pvt. Ltd to Just Dial Pvt. Ltd
2007	Launch of the company's website http://www.justdial.com
2007	Investment of ~Rs 40.1 mn by Tiger Global Four Holdings and Tiger Global Principals Limited and second round of investment of ~Rs 8.2 mn by SAIF
2007	Launch of mobile internet and SMS-based search service
2009	Investment of Rs 383.5 mn by Sequoia Capital India Investments III (Sequoia Capital)
2011	Investment of Rs166.9 mn by SAPV (Mauritius) and Rs166.9 mn by EGCS Investment Holdings

Source: DRHP

Issue details

No. of shares being offered	Fresh issue (not available at the time of grading) and offer for sale (up to 10,637,994 shares)
As per cent of post issue equity	Not available at the time of grading
Amount proposed to be raised	Fresh issue up to Rs 3,600 mn and offer of sale (not available at the time of grading)
Objects of the issue	Advertising and other brand-building activities – Rs 1,013 mn
	Establishing new offices – Rs 510 mn
	Procurement and upgradation of computer hardware – Rs 994 mn
	General corporate purposes (Not available at the time of grading)
Price band	Not available at the time of grading
Lead managers	Citigroup Global Markets India Private Ltd & Morgan Stanley India Company Private Ltd

Source: DRHP

Detailed Grading Rationale

A. Business Prospect

- *Just Dial has leveraged its first-mover advantage and enjoys strong brand recall*

Just Dial was the first phone-based search engine to launch its services in India. Beginning with just two cities – Mumbai and Delhi – today its services are available across India. Having initiated search operations via only phone, five years ago it embraced the new-era media of the internet, mobile internet and SMSes. Today, Just Dial is the most preferred brand in the local search engine space primarily due to excellent user experience. Contact numbers for its voice search - 88888 88888 and 6999 9999 - have a strong recall.

- **Consistent growth in database...**

Just Dial's database lists ~6 mn businesses as of Q1FY12 (~4.5 mn as of end-FY10), which largely consist of MSMEs (micro, small and medium enterprises). This database continues to grow and is updated regularly, at the hands of ~250 employees, increasing its geographical reach. To expand its network in existing and new cities further, it has appointed resellers to collect data in their respective territories. More than just the scale of its database, **Just Dial's ability to consistently keep it updated has been the reason for strong growth** in usage of its search services.

Number of MSMEs and contribution to GDP to also increase: Growth in the number of MSMEs has picked up over FY05-FY11 (CAGR of ~20% to ~29.8 mn MSMEs) after a modest growth in the previous decade (CAGR of ~4% over FY00-FY05). MSME's contribution to India's GDP increased to 8.72% in 2009 from 5.86% in 2000.

- **... and innovation in search platforms...**

Going a step ahead, Just Dial has made the database (listings) more relevant and convenient to use:

- Segmentation of listings through the use of geo-codes to increase the relevance of search results to user's requirement.
- Just Dial leverages its technology-enabled search solution to provide users with the option to use either voice (~52% to total searches in FY11) or internet (~43%) or mobile internet (~5%) or SMS search option.
- An indigenously developed algorithm platform which enables it to provide search results that are relevant to user's requirement and at the same time offer an effective mix of paid and un-paid listings.
- An indigenously developed platform to support faster turnaround of voice-based searches.
- Each of its eight centers, which support voice-based search, can act as disaster recovery centers for others, if necessary, to ensure continuous support for voice-based searches.
- **Reviews and ratings:** Just Dial also encourages its users to provide reviews and ratings of products or services used by them. It already has ~4.5 mn reviews and ratings (~2.7 mn as of end-Q1FY12); it is constantly growing, enabling users to take informed decisions. Also, its "Tag Your Friend" feature helps users see the ratings and reviews from their friends, effectively creating a social network for sharing user experiences.

- **Reverse auction:** Users are asked if they would want product/service providers to call them for their requirement. If the user opts for the same, he gets a SMS with details of offerings from different providers who also call up the user for the user's requirements. This enables the user to make an informed decision without directly reaching out to product or service providers.
- The company has recently introduced android-based mobile application through which a user can even call the relevant listing while making the search.

- **...has resulted in strong growth in usage of services**

The relevance of Just Dial's database to its users is visible from the strong growth in the number of searches, which have grown by ~7x from 26.4mn in FY07 to 180.7 mn in FY11. The company has been able to achieve this through low spend on sales and promotion (~3.4% of FY11 revenue) primarily on the back of strong word-of-mouth publicity by its users.

- ***Ability to monetise growth in searches - strong uptick in paid campaigns***

Just Dial's ability to grow the number of searches has also been complemented by its ability to convert free listings into paid listings/campaigns. Searches done by users are potential business leads for listings, i.e., the return for their investment in advertising through Just Dial. They can measure business leads generated through Just Dial's search platform through:

- Details of number of times the respective listing has been part of a search result.
- Reverse auction provides the respective listing with business leads to whom it can directly market and sell their products and services.

Historically, Just Dial has always taken 100% advance for paid campaigns, which has enabled it to operate with negative working capital. As a result, the company's receivables have been extremely low: ~Rs 1 mn in FY11. This signifies its ability to consistently monetise growth in searches across its platform.

Internet advertising to grow at 33.6% over 2010-14: Driven by GDP growth and the resultant growth in ad spend in key sectors like BFSI, retail, education and consumer goods, CRISIL Research expects the domestic advertisement industry to grow at a CAGR of 14.9% over 2010-14 to ~Rs 574 bn. Internet advertising is expected to grow much faster at a CAGR of 33.6% to Rs 28 bn in 2014. Search engines, being the largest contributor (62% in 2010) to internet advertising, are likely to benefit through this growth.

Table 1: Comparison across advertisement mediums for local advertisements

Advertisement medium	Local reach	Life-span of an ad	Consumer attention during the ad	Target marketing opportunity	Restriction of ad-inventory	Cost of advertising	Measurability of reach	Measurability of ROI
Newspapers	High	Low	Low	Low	Medium	Low	Medium	Low
Magazines	High	High	Medium	High	Medium	Medium	High	Medium
Television (National)	Medium	High	High	Low	High	High	Medium	Low
Television (Regional)	High	High	High	Medium	High	Medium	Medium	Low
Radio	High	Medium	Medium	Medium	High	Low	Medium	Low
Outdoor	Medium	Low	Low	Medium	Medium	Low	Low	Low
Newsletters	High	Low	Medium	High	Low	Medium	Medium	Low
Brochures	High	Low	Medium	Medium	Low	Can be high	Low	Low
Direct mail	High	Low	Medium	High	Low	Can be high	High	Medium
Flyers/Inserts	High	Low	Low	Medium	Medium	Low	Medium	Low
Telephone - Call	High	High	High	High	Medium*	High	High	Medium
SMS	High	Low	High	High	Medium*	Low	High	Low
Internet	Medium	Low	Low	High	Low	Low	High	Low
Yellow pages	High	Medium	Medium	Medium	Low	Low	Medium	Low
Search engine - Like Google	High	Medium	High	High	Low	Low	High	Low
Local search engine – Online	High	Medium	High	High	Low	Low	High	High
Local search engine - Offline	High	Medium	High	High	Medium	Low	High	High

* Due to restriction of no. of SMSes from one number and applicability of 'do not call' regulation

Source: CRISIL Research

In comparison to other media of advertisements, local search engines are more effective as regards:

- **Consumer attention and target marketing opportunity:** Paid campaigns are part of the search results on specific category of products and services as asked by the user, thus there is a 'pull effect' which drives high user attention and target marketing opportunities
- **Cost of advertising:** The cost of advertising on local search engines is much lower than other media.
- **Measurability of reach:** An advertiser can measure the reach of his/her ad across local search platforms like telephones, SMSes and internet.
- **Avenues of growth: New offerings...**

On the one hand, Just Dial has accumulated a huge database of users and their consumption patterns, and on the other it has an extensive database of product and service providers which could serve its users' requirements. It plans to leverage its large database of listing and growing number of searches, taking advantage of the 'pull effect', and offer more services to both:

- 1) **Daily deals:** Given the huge traffic of search requests and availability of products and service details of its listings, Just Dial plans to introduce daily deals which would be relevant to the respective search done by users.
- 2) **Targeted marketing campaigns:** Just Dial plans to leverage its database to generate target marketing data concerning consumer preferences and MSMEs. With the consent of its users, it plans to launch target marketing campaigns for its listings.
- 3) **Structured data for business:** Just Dial also plans to use data analytics to leverage its existing user/search data to provide structured data to various businesses, products and services.

- *... and geographical penetration*

Existing cities: Just Dial plans to expand its reach in existing cities, which we believe are relatively untapped. Majority of its database is across 11 large cities with a large population, which in turn is expected to increase with higher urbanisation. While the company has been dependent more on word-of-mouth publicity, it is planning to utilise the IPO proceeds for aggressive brand promotion. It plans to market its search offerings to attract new users and increase the usage per user by providing solutions to multiple search requirements.

Just Dial plans to continue to push its search platform's ability to deliver measurable results to its listings and plans to aggressively grow its first-time paid advertisers by offering specialised packages with different ticket sizes along with its existing packages, convert non-premium packages to premium packages and penetrate the existing free listings as less than 2.5% of total listings are paid.

Entering new cities: Just Dial plans to enter new cities as well. For faster expansion in new cities at a low cost, it has appointed resellers to build databases and paid campaigns and increase search usage by brand building.

- *Favourable industry dynamics*

- **Growth in urbanisation and increase in household income in India expected to continue**

As per the McKinsey's report – "The 'Bird of Gold': The Rise of India's Consumer Market" – the number of middle-class households (annual household income of between Rs 0.1 mn and Rs 1 mn) are expected to increase in the long term. This and higher urbanisation will drive 1) growth in consumption of goods and services and 2) higher demand for convenience solutions like local search engines. Hence, number of users and their usage of search services have huge potential to grow.

- **High telecom penetration, growth in internet and 3G subscribers to aid searches engines**

Telecom: Search engines like Just Dial have benefited from the telecom revolution in India, which has been a key enabler for voice-based searches. Over FY05-FY11, tele-density in India grew from ~9% to 71% (846 subscribers) in FY11. This has been driven by higher telecom penetration, increasing affordability of handsets and calls (call rates down to 30-50 paise/minute). As a result, using search services on the phone is convenient and affordable. CRISIL Research expects telecom subscribers to grow at a five-year CAGR of 8% to 1,260 mn in FY16. Voice calls will continue to be used most. Both these factors will drive growth for voice-based search services.

Internet: In India, growth in internet (wired dialup + broadband) connections has lagged that in telecom on the back of lower penetration of computers and internet services as compared to telecom services. Over FY05-FY11, internet connections have grown at a CAGR of 29% (20 mn in FY11). This growth has predominantly been across MSME segment, and in metros and tier I cities. As per www.internetworldstats.com, an international website providing details of internet users across the globe, India has ~100 mn internet users and internet penetration (% of population) of 8.4%. CRISIL Research expects internet connections to grow at a five-year CAGR of 11% to 33 mn in FY16; internet usage (time spend on the web) is expected to grow much faster, though not measurable. This augurs well for growth in internet searches.

3G: CRISIL Research expects 3G subscribers to grow to ~236 mn in FY16 from ~3 mn in FY11. This will be driven by expansion of 3G networks by telecom companies and affordable 3G-enabled handsets and data plans. Also, as per the industry, Reliance Industries plans to launch cheap high speed data plans at Rs 10 per

GB on LTE (long-term evolution) technology. Strong growth in smart phone/devices users along with affordable data plans will provide a push to searches through mobile internet and applications.

• *Local search services industry has low entry barriers...*

Local search services industry has low entry barriers as any player can:

- Establish a database of product and service providers
- Establish search platform based on voice, internet, mobile WAP and SMS
- Do strong branding, sales and marketing for drive search requests from users
- Generate revenues through paid listings/campaign ads by providing competitive pricing

As these factors would require significant initial investment (cash burn), a player with a strong balance sheet and willingness to invest in the initial period can enter and make an impact on the local search services industry.

• *... but Just Dial has been able to grow amidst competition*

While Just Dial started its services in 1996 and has had the first-mover advantage, competition exists. Getit has been present since 1986 and Sulekha.com has been present since 1998. Also, multiple players have been providing yellow page services, and other search engines - like Google - have been present for years.

Table 2: Brief profile of competitors

Sr No.	Name	Year of inception	Promoter	Platform	Database coverage (cities/towns)*	Listing (mn)	PE investor
1	Getit	1986	Delhi-based TEJ Bandhu group	Voice, online, print	~35	NA	ASTRO group, Helion Venture Partners
2	Just Dial	1996	Mr V.S.S. Mani	Voice, online, SMS	~1500	~6	SAIF, SAPV (Mauritius), Sequoia Capital India Investments III, Tiger Global Four JD Holdings and Tiger Global Five Indian Holdings
3	Sulekha.com	1998	Mr Satya Prabhakar, Founder and CEO	Online	~60	~2	IMG (New York), Norwest Venture Partners (Palo Alto), Mitsui (Tokyo)
4	Askilaia	2007	Mr Kiran Konduri, Mr Shriram Adukoorie	Online, SMS	~1,200	NA	Matrix Partners, Lightspeed Venture Partners, SVB
5	Askme	2011	Television Eighteen India Ltd	Voice, online, print	~525	> 3	NA

* Search engines may have different geographic classification methodologies, thus their reach may not be fully comparable.

Source: Industry, CRISIL Research

• **Just Dial vs. local peers**

Search platforms: Just Dial's peers have been providing search services across voice, online, print (yellow pages) and SMS platforms. Convenience to users has been everybody's common mantra.

Reach: Just Dial has developed a database of product and service providers in 1,500+ cities and towns. Its voice-based search services are accessible in ~250 cities through its main hotline number 6999 9999. These

services can also be accessed from across India through another hotline number +91 88888 88888. Its peers like AskLaila is present in 1,200 cities/towns and Askme in 525 cities/towns. Network reach - the depth of search coverage across cities where the service provider is present - is more important than the number of cities it operates in. While this information for Just Dial's peers is not available, growth in number of searches in case of Just Dial signifies the depth and relevance of its reach.

Database: As most of Just Dial's peers are private, details of their databases are unavailable. Sulekha.com has a database of ~2 mn and Askme's database is more than 3 mn. Also, it is difficult to assess as to which database is consistently updated and which one provides relevant search results to users. Growth in number of searches is the only way to gauge the same which, again, is available only in Just Dial's case.

Performance on the web: Amongst the Indian websites, www.justdial.com has been ranked 58 with 2.64 mn Indian users by www.alexa.com, a provider of details of websites across the globe and their usages across various parameters. Among Just Dial's peers, only www.sulekha.com is ranked higher at 47 which, along with local search services, also provides blog space and specific content related to jobs/careers, movie reviews amongst others. Just Dial's ability to grow its online search services is visible from strong growth in online searches (three-year CAGR of 99% to 77.2 mn in FY11) and mobile internet searches (three-year CAGR of ~215% to 9.6 mn in FY11).

Table 3: Performance on the web*

Name of the website	Ranks amongst Indian websites	Time spend on the website (min)*	Page views per user*	Indian users (mn)*
www.sulekha.com#	47	3.2	3.6	3.1
www.asklaila.com	195	2.3	2.6	1.1
www.askme.com	683	6.5	6.4	0.3
www.getit.in	952	3.0	3.3	0.2
www.justdial.com	58	7.1	5.3	2.6

* For the past three months as on 13-Dec-2011; # also provides blog space and specific content related to jobs/careers, movie reviews amongst others.

Source: www.alexa.com

Financial performance: While Just Dial's peers may have been able to compete with Just Dial, though selectively, their historical financial performance shows that they have not been able to do so profitably. Table 4 reflects Just Dial's peers have been making losses in the past four years; in some cases, accumulated losses are now a significant proportion of the capital employed. Conversely, Just Dial has been profitable in the past decade. Also, Just Dial has consistently generated free cash flow, which its peers have not, in the past four years.

Table 4: Financial performance of local search engines

Accumulated losses/profit						Cash & marketable securities					
Rs mn	FY07	FY08	FY09	FY10	FY11	Rs mn	FY07	FY08	FY09	FY10	FY11
Sulekha	82	284	439	424	-	Sulekha	165	149	10	10	NA
Accumulated losses as % of capital employed	29%	64%	99%	96%	NA	Cash as % of capital employed	60%	34%	2%	2%	NA
Askila	91	181	316	423		Askila	331	231	100	11	NA
Accumulated losses as % of capital employed	21%	42%	73%	93%	NA	Cash as % of capital employed	76%	53%	23%	2%	NA
Askme	0	0	480	797	1,239	Askme	111	199	65	79	44
Accumulated losses as % of capital employed	0%	0%	33%	40%	79%	Cash as % of capital employed	7%	10%	4%	4%	3%
Getit	NA	3	135	412		Getit	NA	12	13	9	NA
Accumulated losses as % of capital employed	NA	2%	31%	74%	NA	Cash as % of capital employed	NA	7%	3%	2%	NA
Accumulated profits#											
Just Dial	16#	34	103	287	573	Just Dial	248	552	607	901	1,216
Accumulated profit as % of capital employed	25%	13%	33%	47%	62%	Cash as % of capital employed	370%	218%	194%	147%	132%

* Includes equity capital raised by the company

Includes PAT for FY07 as the accounts have been re-stated from FY07 and cumulative PAT from FY07 for subsequent years.

Note: Just Dial's peers are not listed, the above analysis is based on the limited data obtained from ROC.

Source: ROC Filing, Company, CRISIL Research

• International peers with similar business models

In the international market, there are local search engines which provide services like Just Dial, and across voice, internet and mobile internet platform.

Yelp! Inc., incorporated in 2004, provides local search services and ratings/reviews (on a five-point scale) for the same across internet and mobile WAP platform across the US, Europe, the UK and many other countries. It also enables interaction amongst its users. It generates revenues through paid ads by local businesses.

Table 5: Yelp! Inc.'s historical performance

US \$ mn	2008	2009	2010	2008-2010 CAGR (%)	9MCY10	9MCY11	y-o-y (%)
Net revenue	12.1	25.8	47.7	98%	32.5	58.4	80%
Adjusted EBITDA	-5.3	-0.6	-5.7	NA	-6.1	-1.1	NA
Net loss	-5.8	-2.3	-9.7	NA	-8.6	-7.8	NA
Operational matrix							
Reviews (mn)	4.7	8.8	15.1	80%	13.5	22.4	66%
Unique visitors (mn)	15.7	26.1	39.4	58%	37.5	61.1	63%
Local business locations (no's)	25,000	120,000	307,000	250%	247,000	529,000	114%
Active local business accounts (no's)	4,000	7,000	11,000	66%	11,000	19,000	73%
Active local business as a % of claimed local business	16.0%	5.8%	3.6%	NA	4.5%	3.6%	NA

Source: Company, CRISIL Research

In 2005, **Jingle Networks** founded **1800FREE411**, a voice and online local search directory in the US and Canada. It generates revenue by playing a jingle, which is an advertisement, when a user makes a call for his/her local search requirement. It also provides free directory assistance on iPhone and android mobile apps. 1800FREE411 has 30 mn unique users a month. In April 2011, Marchex Inc., a US-based digital call advertising and small business marketing company, acquired Jingle Networks for US\$ 62.5 mn. It expects Jingle Networks' revenues to grow by 40% y-o-y to US\$ 26 mn.

- **Google remains a key threat**

The world's largest search engine - Google - has been present in India for many years, providing search services and navigation services through Google maps. Providing local search services in any country is passé for a global player like Google. In India, it introduced interactive voice response (IVR)-based local search service in Hyderabad in April 2008. However, it was unable to achieve scale, making the business unviable. As a result, it closed this service in December 2010.

A comparison of Google India's FY11 financials and Just Dial highlights that the latter's revenues were ~22% of Google India's revenues (includes software development, IT-enables services and advertisement revenue through 'Adwords program'). Globally, Google's search services are based on technology while the search market in India requires collection and maintenance of database through feet-on-street and voice-based search option. Hence, the probability of Google re-entering the local search market is low but any such move by Google is a key monitorable.

Table 6: Google India vs. Just Dial

(Rs mn)	Google India Private Ltd			Just Dial Ltd		
	CY08 12 month	FY10 15 month	FY11 12 month	FY09 12 month	FY10 12 month	FY11 12 month
Revenue	6,649	7,793	8,520	859	1,309	1,839
PAT	1,448	980	1374	75	193	288
PAT Margin (%)	21.8%	12.6%	16.1%	8.7%	14.7%	15.7%

Source: Industry, Company, CRISIL Research

- **LTE technology and affordable smart devices could provide users more online options**

LTE technology is slated to be launched in India in 2012 and is likely to provide a boost to data usage. Also, according to the industry, players like Reliance Industries plan to offer very affordable devices (tablet PC) and cheap data services (Rs 10 for 1GB). This may attract domestic and international companies to provide mobile applications for local search services which could potentially be another big competition for Just Dial. While Just Dial continues to keep pace with new technologies (such as android-based applications), competition from newer applications and its ability to compete with them remains a monitorable.

- **Experienced management but bandwidth remains a monitorable**

Just Dial's management, led by Mr Mani, has been proactive in consistently meeting customer expectations both on technology and search content front. The company has been able to demonstrate stronger execution capabilities in the local search market than peers driven by a strong top management - led by promoters and their second line. For future growth, the company will have to significantly ramp-up its senior and second line of management. Also, the company is heavily dependent on Mr Mani for strategic planning.

In Q2FY12, Just Dial demerged its US operations under Just Dial Global Pvt Ltd (JD Global), which is owned by its promoters and Sequoia Capital. Currently, Just Dial's promoters, Mr Mani and Mr Krishnan, play an important role in the strategic planning and operations of Just Dial. JD Global provides local search services in the US as Just Dial provides in India. If JD Global's operations take away significant bandwidth of promoters and senior management of Just Dial, then it could adversely impact the latter's core operations in India.

B. Financial Performance

Just Dial's revenues increased at ~39% CAGR over FY07-FY11 to Rs 1,899 mn in FY11. The strong revenue growth was driven by growth in paid listings/campaigns which tripled to ~120,200 in FY11 from ~40,000 in FY09.

Employee cost comprises the largest cost for Just Dial. As a percentage of revenue, it declined to 49.6% in FY11 from 59.5% in FY07 as employee cost is not linear to revenues. Similarly, Just Dial's other operating costs, also not linear to revenue, declined - as a percentage of revenue - to 24.2% in FY11 from 29.5% in FY07. As a result, EBITDA margin increased to 26.1% in FY11 from 11% in FY07. As Just Dial's business is not capital intensive and it does not have net debt, the improvement in EBITDA margin has led to an improvement in PAT margin. It increased to 15.1% in FY11 from 3.3% in FY07. Also, RoE improved to 36.6% in FY11 from 14.6% in FY07.

Table 7: Financial performance snapshot (consolidated)

Particulars	Unit	FY07	FY08	FY09	FY10	FY11
Operating income	Rs mn	502	716	918	1,348	1,899
EBITDA	Rs mn	55	63	140	340	496
EBITDA margin	%	11.0%	8.8%	15.3%	25.2%	26.1%
Net profit	Rs mn	16	17	69	184	286
Net profit margin	%	3.3%	2.4%	7.6%	13.7%	15.1%
ROCE	%	34.0%	14.1%	24.7%	53.1%	54.0%
ROE	%	14.6%	6.8%	17.4%	34.4%	36.6%
Basic EPS*	Rs	0.3	0.3	1.3	3.5	5.5
No. of equity shares (FV of Rs 10)*	mn	51.9	51.9	51.9	51.9	51.9
Net worth	Rs mn	144	366	439	637	932
Book value per share*	Rs	2.7	7.0	8.4	12.2	17.9
Current ratio	Times	0.9	1.2	1.3	1.6	1.4
Debt/Equity Ratio	Times	0.0	0.0	0.0	0.0	0.0

Figures have been reclassified a per CRISIL's standards

* Adjusted for bonus shares issued in FY11 in the ratio 55:1. The company also has 195,565 preference shares which will be converted into equal number of equity shares prior to filling of the RHP and will be eligible for bonus share in the ratio 55:1.

Source: DRHP, CRISIL Research

C. Management Capabilities and Corporate Governance

Just Dial's top management is headed by promoter Mr V. S. S. Mani (MD and CEO). Along with his friends, he had co-founded a local search engine – Askme in 1989. Later, he transferred his stake in Askme to his friends. Prior to this, he worked for the yellow pages of United Database India Pvt. Ltd. Currently, he holds 42.99% stake (pre-conversion of preference shares) in Just Dial.

Mr V. Krishnan, executive director, has been associated with the company since its inception. He has 18 years of experience in the field of marketing, operations and strategic planning. Just Dial has an experienced senior management team. Mr Sandipan Chattopadhyay, CTO, has been associated with Just Dial since January 1, 2009. He has 15 years of experience in the field of technology. Prior to this, he was associated with E Dot Solutions India Pvt Ltd. Mr Ramkumar Krishnamachari, CFO, has been associated with Just Dial since August 8, 2010. He has 21 years of experience in the field of finance and accounting and has worked with Royal Sundaram General Insurance Allied Company Ltd. Mr Koorra Srinivas, deputy CFO & SVP - HR, has been associated with the company since December 1, 1999 and has 12 years of experience in the field of finance and accounting. He has been instrumental in setting up finance, accounts and HR operations of Just Dial. Mr Shreos Roy Chowdhury is the Chief Technical Architect of the company. He has been with Just Dial since September 21, 2010 and has 15 years of experience in the field of technology. Prior to this, he was associated with Reliance Big Entertainment Pvt. Ltd. The senior management is supported by an experienced and professional second line of management who, according to the company, have been associated with it since long.

The independent directors, though newly inducted, have a strong corporate background. The board consists of eight directors including three independent directors. Chairman Mr B. Anand joined the company's board as an independent director in August 2011. Currently, he is also a group director (finance) of Future Group. Mr Sanjay Bahadur joined the board as an independent director in August 2011. He has 27 years of experience in the field of construction. He is presently the CEO - global constructions and chemicals division - of Pidilite Industries Ltd. Mr Malcolm Monterio joined the board as an independent director in August 2011. He is the CEO of DHL Express, South Asia and a member of the DHL Asia Pacific management board. The board also has one representative each from SAIF and Sequoia Capital. Mr Ravi Adusumalli represents SAIF Partners and has been on Just Dial's board since October 2006. He has 15 years of experience in the field of finance and investment. He is currently a partner and the head of India office of SAIF Partners. Mr Sandeep Singhal has been on the board since September, 2009. He has 10 years of experience in the field of venture capital and private equity. He is a co-founder and the current managing director of WestBridge Advisors Pvt. Ltd.

Annexure I

Business Profile

Just Dial provides search services across two main genera: company search - a specific or any business; category search - product or service based on a given classification, location or key words. Having started with live operator-assisted phone (voice) search service, in keeping with the times it launched internet-, mobile internet- and SMS-based services five years ago. While the service is free, the company generates revenues from paid advertisers who subscribe to its fee-based campaign packages to be given priority ranking in the search results.

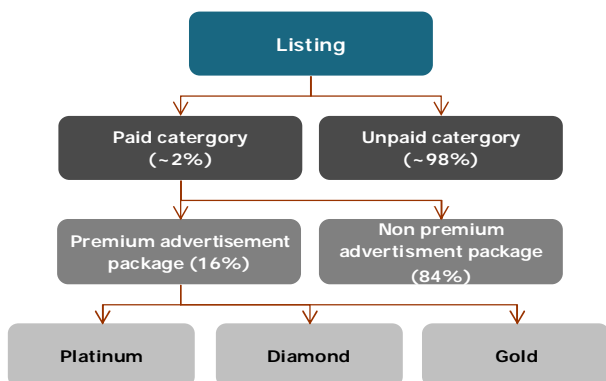
Database: Just Dial has developed an in-house database of product and services providers MSMEs. The data is gathered by a dedicated in-house team of ~250 employees and 'feet-on-street' executives, by resellers and through self-listing on Just Dial's website. Details (contact details, images, logos, videos, offerings, etc) of a particular product or service provider is collected and verified by an in-house team of tele-sales executives post which the product or service provider becomes part of Just Dial's database, classified as business listing by the company. Each such listing is tagged with a location-based 'Geo-code'. Once geo-coded, these business listings feature in the order of distance from the searched location by the user and appear marked on the map of the respective area to enable the user to find the exact location. Just Dial has grown its database to ~6 mn business listings as of Q1FY12 (~4.5 mn as of end-FY10) across different categories - restaurants to schools/collages to computer repairs to gifts.

Searches by users: Users contact Just Dial when they require contact details of a business or service provider. Just Dial reciprocates fast with updated but free information from its business listings. The number of searches on its platforms has increased to ~181 mn in FY11 from only 26.4 mn in FY07. Just Dial launched its internet and mobile internet platform in FY07; the number of searches on these later-added platforms have grown much faster than the growth in over-all searches and constituted ~48% of total searches in FY11.

In addition to contact details of business listings, Just Dial also provides access to user reviews and ratings, enabling new users to take informed decisions. It also provides 'reverse auction' service through which an user, at the time of the search, can place a request for quotes for multiple business listing for his/her product or service requirement.

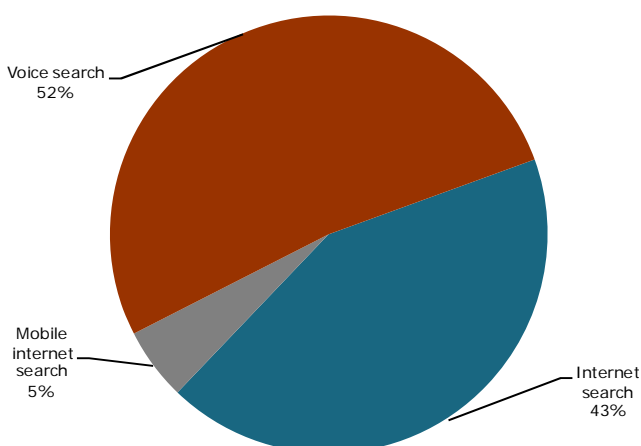
Paid advertisers: Just Dial has been able to monetise the growth in searches on its platform by converting business listings into a paid listing. Out of its database of ~6 mn listings as of Q1FY12, ~139,500 were paid listings (up from ~40,500 paid listings in FY09). It provides annual and long-term membership to its paid advertisers on advance payment on monthly or annual basis. Paid advertisers can opt for premium or non-premium advertisement packages. Premium advertisement packages, includes platinum, diamond and gold membership packages, allow preferential listing of these advertisers ahead of non-premium and free listing.

Figure 1: Classification of business listings



Source: DRHP, CRISIL Research

Figure 2: Search mix in FY11



Source: DRHP, CRISIL Research

- Demerger of global operations**

Just Dial had started its global search services business through its subsidiary JD Global. In FY11 it cancelled ~525,000 shares (totaling to Rs 5.25 mn) held by it in JD Global and invested in ~Rs 725 mn in cumulative redeemable (optionally convertible) preference shares. Thus, JD Global ceased to be a subsidiary of Just Dial and the balance shares were held by Just Dial's promoters and Sequoia Capital. In Q2FY12, Just Dial has demerged its investment in JD Global and equity shares have been issued to Just Dial's shareholders. This resulted in write-down of ~Rs 725 mn in the value of investments and net worth on Just Dial's balance sheet. Post this transaction, Just Dial's promoters hold 72.52% in JD Global and the balance shares are held by other existing shareholders of Just Dial.

Just Dial has also signed a services agreement with JD Global for providing BPO, search solutions, software and IT infrastructure and senior management services to the latter at an arm-length basis. Just Dial has also entered into a licence agreement with JD USA (subsidiary of JD Global) for using Just Dial's brand for an annual licence fee of 1% of net revenue.

Annexure II: Profile of the Directors

Name of Directors	Age	Designation	Date of Joining	Qualification	Previous employment	Other Directorships
Mr B. Anand	47	Chairman & Independent Non-Executive Director	2-Aug-11	Bachelor's degree in commerce from Nagpur University and an associate member of ICAI	Vedanta Resource, Motorola India Private Ltd, Credit Lyonnais Bank SA, HSBC Bank plc, Infrastructure Leasing & Financial Services Ltd and Citibank	1. Future Ventures India Ltd 2. Staples Future Office Products Private Ltd.
Mr V.S.S. Mani	45	Managing Director	Since inception	Discontinued Bachelor's degree in commerce from Delhi University after completing two years; undertook articleship under a member of the ICAI	United Database India Private Ltd	1. Just Dial Global Private Ltd 2. Just Dial Inc., U.S.A. 3. Superstar Ventures Private Ltd
Mr Ramani Iyer	41	Non-Independent, Non-Executive Director	28-Oct-05	Diploma in hotel Management	18 years of experience; associated with Just Dial since inception and responsible for overall strategic planning and execution	Just Dial Global Private Ltd
Mr V. Krishnan	40	Non-Independent, Executive Director	28-Oct-05	Discontinued Bachelor's degree in commerce from Delhi University after completing two years	18 years of experience; associated with Just Dial since inception and responsible for overall strategic planning and execution	Just Dial Global Private Ltd
Mr Ravi Adusumalli	35	Non-Independent Non-Executive Director	9-Oct-06	Bachelor's degree in economics and government from Cornell University, USA	Partner and the head of the India office at SAIF Partners. Prior to joining SAIF Partners, he was associated with Mobius Venture Capital	1. Amoha Education Private Ltd 2. Cybernet-Slash Support Inc. 3. Fatpipe Networks India Ltd 4. Fingerprints Fashions Private Ltd 5. Ivision Media India Private Ltd 6. Just Dial Global Private Ltd 7. Make My Trip (India) Private Ltd 8. Make My Trip Ltd (Mauritius) 9. Network 18 Media & Investment Ltd 10. One97 Communications Private Ltd 11. TV 18 HSN Holdings Ltd

Continued to next page

Name of Directors	Age	Designation	Date of Joining	Qualification	Previous employment	Other Directorships
Mr Sandeep Singhal	41	Non-Independent Non-Executive Director	18-Sep-09	Post-graduate diploma in management from the Indian Institute of Management, Ahmedabad, bachelor's degree in chemical engineering from the IIT, Delhi, master's degree in molecular simulation from the University of Illinois, Chicago	Co-founder & the current managing director of WestBridge Advisors Private Ltd. Prior to this, he co-founded and worked with Sequoia Capital India; has also worked with Boston Consulting Group and Hindustan Lever Ltd.	1. AppLabs Technologies Private Ltd 2. Carzonrent (India) Private Ltd 3. Celon Laboratories Ltd 4. Dr. Lal Path Labs Private Ltd 5. eClerx Services Ltd 6. Just Dial Global Private Ltd 7. Nazara Technologies Private Ltd 8. People Interactive (India) Private Ltd 9. Reamatrix Inc. 10. Stovekraft Private Ltd 11. Westbridge Advisors Private Ltd
Mr Malcolm Monterio	58	Independent Non-Executive Director	2-Aug-11	Bachelor's degree in electrical engineering from the Indian Institute of Technology, Mumbai & post-graduate degree in business management from the Indian Institute of Management, Ahmedabad	Chief executive officer of DHL Express, South Asia & a member of the DHL Asia Pacific Management Board	1. Blue Dart Express Ltd 2. DHL Express (Singapore) Private Ltd
Mr Sanjay Bahadur		Independent, Non-Executive Director	2-Aug-11	Bachelor's degree in civil engineering from Delhi College of Engineering.	Chief executive officer of Pidilite Industries Ltd. Previously worked with Larsen & Toubro Ltd, Aeon Construction Products Ltd, Unitech Prefab Ltd and ACC Concrete Ltd	1. A. B. Hotels Ltd 2. Bamco Supply and Services Ltd, Thailand 3. Pidilite Industries Ltd 4. Pidilite Bamco Ltd, Thailand 5. Unitech Ltd

Source: DRHP

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