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Valuation of Just Dial: An E-Commerce Company

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Abstract:
The objective of this paper is to value an e-commerce firm namely Just Dail and to identified discrepancy between market value and fair value which is arrived by using DCF and Multiples approach. Another objective is to analysis the past financial of the company and to understand the financial health of the company through projected financial statement. The paper concludes that the valuation of an e-Commerce company Just Dial is overvalued. The analysis of projected financial statement shows that it is at least a profitable company. The company enjoys a positive cash flows. The weighted average value of price per share is very near to the price suggested by the exit multiple method. Although there are huge discrepancies that exist among the multiple valuation due to different perspectives and market conditions across the countries. Indian dynamics shows that the current market price is grossly undervalued and a potential upside of about 150% exist over the long-term. Valuation multiples suggested by emerging Asian countries also suggest a similar trend, supporting a potential upside of over 50% over the long term perspective.

Keywords: *Valuatio , DCF, Multiples, Projected Financial Statement, fair price*

1. Introduction

India is among the fastest emerging online markets today and is on the road to overtake countries like USA and China, and lead the Internet list as the largest online consumer market of the globe.

India has steadily become one of the thriving online markets in the world with over 24 Crore Internet users to which 50 Lakh new users are being added every month. India's growth rate is much more than that of leading nations like USA and China, which will empower India to soon get to the top of the list as the biggest online consumer market in the world.

Online ventures in India have performed phenomenally well in the past few years, drawing huge backing from domestic as well as international investors. This trend would stay in the coming times for most of the categories, fuelled by the young demographic dividend of our country and the surge in mobile-based Internet accessibility. Yet, online companies of India would have to address the challenges like low Internet penetration, poor logistics infrastructure and regulatory hurdles, during the course of scaling up. Intensive efforts by the State and the corporate world to enhance the digital inclusion of the citizens of India that would support the online firms to increase their reach, is the need of the hour.

Supported by ample scale and by constant innovation in business model, online businesses will generate heavy struggle for offline companies in the coming times. Since, there is enough opportunities in India for both online and offline companies to exist in parallel since the customer base to be satisfied is vast, and the customers of both networks significantly vary in terms of their requirements, expectations and purchase features.

Innumerable online businesses were started in our country over the last few years, ensuing in successes like Snapdeal, Flipkart, Bharat Matrimony, Naukri.com, RedBus etc. Their achievements have tempted domestic as well as overseas investors to pump money into them. Foreign online companies have also entered Indian market and invested, in an attempt to capture a portion of the rewarding Indian pie.

2. About the Company

Justdial is India's leading local search engine, and they have achieved top-of-the-mind recall, over the last 17 years of functional period. Being India's most preferred destination for local search, they have enabled several SMEs to get visibility. It provides a search engine that includes several categories such as hotels, movies, resorts, bars, insurance, taxis and car rentals, nightclubs etc. They have also transformed to a platform that incorporates search plus transactions. They call this as 'Search Plus' services. Their registered and corporate office is in Mumbai and they have offices across India in Chandigarh, Ahmedabad, Chennai, Bengaluru, Coimbatore, Delhi, Jaipur, Hyderabad, Pune and Kolkata. Just Dial Limited was established in India with limited liability on 20th December, 1993 under

the label A&M Communications Pvt. Ltd. It provides local search and other related services to its users in India using multiple platforms such as internet, mobile, over the telephone (voice) and text (SMS).
The Company completed the IPO (Initial Public Offer) through OFS (Offer for Sale) of equity shares by few shareholders. The equity shares of Just Dial were listed on NSE (National Stock Exchange of India Limited), The BSE (Bombay Stock Exchange of India Limited) and MCX Stock Exchange Limited on June 5, 2013. Profitability Ratios Operating Margin 27.2 % Pretax Margin 35.7 % Return on Assets 17.6 % Return on Equity 25.1 % Return on Capital 25.1 % Effective Tax Rate 26.8 % Structural Ratios Current Ratio 2.3 Quick Ratio 2.3 Accounts Receivables Turnover 1000
In the year 2000 there was a secondary sale of 50% stake by its Promoters to Indiainfo.co m Private Limited. In 2006 • Investment of Rs 546,947,470 by SAIF is done in the company. In 2007 Investment of Rs.40,140,75 0 by Tiger Global Four Holdings and Tiger Global Principals Limited. In the same year a second round of investment of Rs.8,283,839. 58 by SAIF. In 2011 investment of Rs.166,932,6 66 by SAPV and investment of Rs.166,932,6 66 by EGCS. Sequoia Capital along with SAP Ventures invested $10 million.

3. Objective and Methodology
The objective of this paper is to value an e-commerce firm namely Just Dail and to identified discrepancy between market value and fair value which is arrived by using DCF and Multiples approach. Another objective is to analysis the past financial of the company and to understand the financial health of the company through projected financial statement.

3.1. Methodology
The e-commerce segment in India is still evolving and organisations have limited historical data. Most of these function at negative operating cash-flows and rely on investments from VC funds. Using conventional valuation approaches like DCF Valuation and Relative Valuation persist a challenge in this industry.

<u>3.1.1. Multiple Valuation (User Multiple Value)</u>
Most of the internet ventures operating in the services categories are valued using the multiples from similar transactions, assigning a value to each customer and then calculating the total value of the firm by simply multiplying the number of users to the average value allocated to every user.
There is not enough information to determine the valuation using the comparable transactions method. In these cases, you can value a company based on market valuation multiples. Examples of these valuation multiples include price/earning multiples (also known as P/E ratios, this method, which compares a company‘s market capitalization to its annual income, is the most commonly used multiple) EBITDA multiples, and others. When using this method, you look at what multiples are used for other companies in the industry.

<u>3.1.2. DCF Approach</u>
The DCF method is used to value a firm. DCF value depends on the present value of the cash flows generated with an asset. The approach requires three main steps: Modeling plausible future cash flows for the short-to-mid-term horizon, estimating the terminal value and determining the appropriate discount rate. The sum of the discounted cash flows equals the total value of the asset. By subtracting the initial investment outlay from the asset value, Net Present Value (NPV) of the project is calculated, which corresponds to the economic value generated along the lifespan of the asset.
Based on analysis of the historical financial performance and the current economic environment, the expected Free Cash Flows (FCF) over the life of the project under valuation is estimated. The FCFs are those liquid funds which are available for distribution to the debt and equity holders of the organization after the investment in working capital and fixed assets were carried out. As the level of precision for the cash flow projections diminishes over an extended planning horizon, appraisers resolve this problem by assuming a constant cash flow on a plausible, sustainable level after a pre-specified amount of years.
This is coherent with the assumption that all companies will eventually reach a stable state and generate constant cash flows which are essentially perpetuity and can be valued as such. The present value of these perpetual cash flows, the so-called terminal value, is then discounted together with the free cash flows back to the actual valuation data with an adequate rate of return, which corresponds to the risks associated with the investment. The sum of these discounted values equals the asset’s total value. If the project is partly debt financed, the market value of the debt obligations at the valuation date needs to be subtracted to determine the equity value.
DCF calculations for all the four deals were based on certain assumption. The same were reported in the analysis section.

<u>3.1.3. Projecting the Cash Flows</u>
The initial decision when forecasting cash flows is to settle on the length of the extraordinary growth period, i.e. after how many years the company is expected to generate a stable level of cash flows. Depending on firm-specific characteristics like the size (smaller firms are more likely to grow for a longer period of time than large ones), the market potential, the current growth rate (firms which are already experiencing rapid growth are more likely to continue to do so) and the sustainability of a competitive advantage, which is necessary to generate consistent growth, the length of the extraordinary growth period can range from 0 to 15 years (Damodaran, 2006). For this planning horizon the annual FCFs are forecasted with a high level of detail.
Usually, as a first reference point, the recent financial performance, especially sales or revenue growth as well as the other value

drivers are analyzed instead of starting from scratch. Although the explanatory power of historical growth in regard to future growth is doubted, this analysis can be expected to reveal valuable information on how the company performed and why it was successful or not (Brealey et al., 2006). An analysis of the recent macroeconomic conditions provides further information, as the financial results can only be evaluated in the economic context. Profits or losses from economic boom phases or recessions have to be adjusted to correspond to a more balanced scenario.

3.1.4. Terminal Value Estimation

The Terminal Value corresponds to the present value of all future cash flows which are generated after the detailed planning horizon. There are two different methods of estimating the terminal value under a going concern premise (in contrast to a liquidation premise, where the selling value of the company's accumulated assets would represent the terminal value). One uses a Multiple factor to earnings, revenues or book values. The other approach assumes that the cash flow in the last year of the detailed planning horizon will grow at a constant rate forever. This cash flow stream can be valued using a perpetual growth model:

$$\text{Terminal value}_t = \text{Cash flow}_{t+1} / (r - g_{Stable})$$

Where r equals the company's discount rate and g_{Stable} is the rate with which the cash flows will grow each year. Depending on the company under valuation, a no-growth ($g_{Stable} = 0$) or negative growth scenario ($g_{Stable} < 0$) can also be appropriate.

3.1.5. Deriving the Discount Rate - the Capital Asset Pricing Model

During a DCF valuation, the riskiness of the investment is reflected by the discount rate. It corresponds to the rate of return that investors could expect from an alternative investment which yields cash flows with the same risk pattern. Risk in the valuation context addresses the likelihood of getting a return on the investment which deviates from the expected level. The deviation can either be positive for the investor (the so-called upside risk) as well as negative (downside-risk) and both tendencies are equally considered.

$$E(R_i) = R_f + \beta_i \left[E(R_M) - R_f \right]$$

$$\beta_i = \frac{Cov(R_i, R_M)}{Var(R_M)}$$

According to the CAPM, the expected return for an asset is determined by the rate which investors could expect without taking any risks, plus an individual risk premium. This risk premium depends on the general level of market risk and a factor which measures a stock's exposure to market risk. In the CAPM formula r_f denotes the so-called risk-free rate, which is the expected return from a riskless investment, i.e. where the expected return is known with certainty. In practice, highly-liquid long-term sovereign bonds issued by governments with excellent ratings are considered as risk-free investments and their yields (either current or historical averages) are used. r_M is the average return holders of the market portfolio can expect. Thus the term $(r_M - r_f)$, the so-called Market Risk Premium, measures the extra return investors expect for investing their funds in an asset with average risk (called the market portfolio) instead of the risk-free investment.

- FCFF and FCFE

This approach is limited to the companies that have positive cash flows and very few such companies exist in the internet space of the time, and this limits the application of this approach in such cases.
The valuation of Justdial is based on following assumptions.

3.2. Assumptions

i. Total Revenues for FY 2015 are calculated on Compounded Quarterly Growth Rates
ii. Revenues are assumed to grow at a uniform positive rate every quarter
iii. Growth rate is assumed to slow down to 15% by 2019, which is considered a bit more sustainable for some more years
iv. A conservative measure of operating margin is considered, assuming no increase in margin over years
v. No new shares are issued
vi. There is no change in number of preference shares issued, net debentures issued, and therefore impacting number of diluted shares
vii. Company has not taken any long term debt, and it is assumed to remain so in coming years.
viii. Company has not issued any dividends, and it is assumed that it will neither do the same in coming future. Return to shareholders will be in the form of increase in market value of share price
ix. Company will not issue any more shares in future.
x. Since this sector is expected to show huge positive gains for substantial portion of time, the growth rate of the company is estimated to gradually reduce to 12% after 5 years, in a span of next 10 years
xi. After 15 years from now, the growth rate will reduce to the economy's long term growth rate which is assumed to be 6%
xii. The fair value of assets and liabilities is equal to the present book value.
xiii. Company will continue to use straight line depreciation method.

4. Analysis and Interpretation

4.1. Projected Financial Statements

TABLE 1

The projected profit and loss statement was prepared up to 2019. The sales were assumed to increase by 30% in 2015, 34% in 2016. There after the sales figure will decrease by 4% per year up to 2019.

Operating expenses as a percentage of sales were 75% in 2015. Thereafter it I assumed to be 67% per year. EBITDA margin I assumed to be 25% in 2015 thereafter it is assumed to be 33% per year till 2019. Net operating gains as percentage of sales is assumed to be negative 6% in 2015. For the remaining year it is assumed to be negative 2% of sales. On the basis of above mentioned assumptions the net profit (loss), basic EPS were calculated in table 1 below.

In Millions of INR except Per Share	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Last 12 months	FY 2015 (E)	FY 2016 (E)	FY 2017 (E)	FY 2018 (E)	FY 2019 (E)
12 Months Ending	**31-Mar-10**	**31-Mar-11**	**31-Mar-12**	**31-Mar-13**	**31-Mar-14**	**31-Dec-14**	**31-Mar-15**	**31-Mar-16**	**31-Mar-17**	**31-Mar-18**	**31-Mar-19**
Sales	1,309.1	1,796.0	2,620.6	3,626.1	4,612.9	5,610.6	6,015.5	8,037.7	10418.3	13087.1	15916.1
% increase in Sales Y-o-Y		37%	46%	38%	27%	22%	30%	34%	30%	26%	22%
Gross Profit	1,309.1	1,796.0	2,620.6	3,626.1	4,612.9	5,610.6	6,015.5	8,037.7	10,418.3	13,087.1	15,916.1
+ Other Operating Revenue	0.0	46.7	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Operating Expenses	1,055.4	1,453.3	2,038.5	2,763.4	3,356.9	4,194.7	4,484.6	5,399.2	6,998.3	8,791.1	10,691.4
Operating Expenses as % of Sales	81%	81%	78%	76%	73%	75%	75%	67%	67%	67%	67%
EBITDA	303.7	457.2	672.3	1,008.3	1,428.9	1,640.8	1,530.9	2,638.5	3419.94	4296.03	5224.70
EBITDA Margin (T12M)	23%	25%	26%	28%	31%	29%	25%	33%	33%	33%	33%
Depreciation and Amortization	50.0	67.9	90.2	144.0	172.9	224.90	193.76	280.53	383.29	546.12	722.54
Operating profit (loss)	253.7	389.4	582.1	864.3	1,256.0	1,415.9	1,337.1	2,358.0	3,036.7	3,749.9	4,502.2
- Interest Expense	0.0	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Foreign Exchange Losses (Gains)	0.0	0.0	-2.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0
- Net Non-Operating Losses (Gains)	-38.6	-33.9	-129.5	-120.0	-393.9	-345.6	-337.1	-132.4	-171.6	-215.5	-262.1
Non-operating (Gains) as % of Sales	-3%	-2%	-5%	-3%	-9%	-6%	-6%	-2%	-2%	-2%	-2%
Pretax Income	292.2	423.0	713.4	984.3	1,648.6	1,761.5	1,868.0	2,770.9	3208.2	3965.4	4764.3
- Tax Provision	99.0	134.7	209.2	299.7	442.5	502.6	520.5	763.0	925.1	1,143.5	1,373.8
Tax Provision as a % of PBT	34%	32%	29%	30%	27%	29%	28%	30%	29%	29%	29%
Income Before XO Items	193.3	288.3	504.2	684.6	1,206.1	1,258.9	1,347.4	2,007.9	2283.1	2822.0	3390.5
- Extraordinary Loss Net of Tax	0.0	0.0	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (loss)	193.3	288.3	505.8	684.6	1,206.1	1,258.9	1,340.1	1,982.9	2283.1	2822.0	3390.5
- Total Cash Preferred Dividends	--	--	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Inc Avail to Common Shareholders	193.3	288.3	505.8	684.6	1,206.1	1,258.9	1,347.4	2,007.9	2283.1	2822.0	3390.5
Abnormal Losses (Gains)	0.0	0.0	0.0	15.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax Effect on Abnormal Items	0.0	0.0	0.0	-4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Normalized Income	**193.3**	**288.3**	**504.2**	**695.2**	**1,206.1**	**1,258.9**	**1,347.4**	**2,007.9**	**2,283.1**	**2,822.0**	**3,390.5**
Basic EPS											
Basic Weighted Avg Shares	--	--	51.9	66.5	70.0	70.3	70.3	70.3	70.3	70.3	70.3
- Basic EPS	--	--	**9.71**	**10.46**	**17.23**	**17.90**	**19.16**	**28.55**	**32.46**	**40.13**	**48.21**
Diluted EPS											

- Diluted Weighted Avg Shares	--	--	65.0	68.8	70.5	70.9	70.9	70.9	70.9	70.9	70.9
- Diluted EPS	--	--	**7.76**	**10.10**	**17.11**	**17.74**	**18.99**	**28.30**	**32.18**	**39.77**	**47.79**

Table 1: Profit and Loss Statement (Projected) (in million)

Cash as a percentage of total current asset is assumed to be 7.4% in 20 in 2016 it is assumed to be 6.2% by 2019. Other current assets as a percentage of total current asset is assumed to be 3.7% in 2015, 3.2% in 2016 and 3.4% from 2017 to 2019. Current asset as a percentage of total asset is assumed to be 775 in 2016 and 76% in 2019. Total fixed assets as a percentage of total assets is 235 in 2016 and 24% in 2019.

Account payable is aassumed to be constant at rupees 72 million from 2015 to 2019. Likewise other short term liabilities and long term liblities and share capiotalall assumed to be contant with no no increase for the period under consideration.. the above calculation are incorporated in table 2 below.

In Millions of INR except Per Share	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015 (E)**	**FY** 2016 (E)	**FY 2017 (E)**	**FY 2018 (E)**	**FY 2019 (E)**
12 Months Ending	**31-Mar-10**	**31-Mar-11**	**31-Mar-12**	**31-Mar-13**	**31-Mar-14**	**31-Mar-15**	**31-Mar-16**	**31-Mar-17**	**31-Mar-18**	**31-Mar-19**
Assets										
+ Cash & Near Cash Items	114.0	196.1	237.3	214.4	298.3	514.80	487.54	620.17	795.53	912.74
Cash as a % of Total Current Assets	12.2%	13.2%	12.5%	4.1%	5.7%	7.4%	5.7%	6.3%	6.5%	6.2%
+ Short-Term Investments	785.1	1,182.2	1,568.0	4,857.9	4,779.4	6168.26	7739.21	8921.73	11063.83	13399.00
+ Accounts & Notes Receivable	0.4	0.6	0.0	8.9	0.0	0.0	0.0	0.0	0.0	0.0
+ Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Current Assets	35.2	105.8	99.5	137.7	172.4	257.85	273.06	336.24	422.98	496.58
Other Current Assets as a % of Total CA	3.8%	7.1%	5.2%	2.6%	3.3%	3.7%	3.2%	3.4%	3.4%	3.4%
Total Current Assets	934.6	1,484.7	1,904.8	5,219.0	5,250.2	6940.92	8499.81	9878.14	12282.33	14808.32
Current Assets as a % of Total Assets	75%	78%	77%	86%	69%	77%	77%	74%	76%	76%
+ LT Investments & LT Receivables	0.0	0.0	0.0	24.8	1,547.6	859.59	1058.59	1625.61	1612.11	2065.34
+ Net Fixed Assets	181.9	253.9	330.2	535.5	460.5	770.92	922.39	1,174.23	1,494.13	1,731.25
+ Gross Fixed Assets	--	--	--	894.8	959.9	1,464.04	1,896.04	2,531.17	3,397.20	4,356.85
- Accumulated Depreciation	--	--	--	359.3	499.4	693.12	973.65	1,356.94	1,903.06	2,625.60
+ Other Long-Term Assets	135.6	175.7	242.8	294.3	391.4	425.67	524.21	610.13	721.50	895.62
Ratio of LT Investments to Other LT Assets	0.0	0.0	0.0	0.08	3.95	2.02	2.02	2.66	2.23	2.31
Total Long-Term Assets	317.6	429.6	572.9	854.6	2,399.5	2,056.2	2,505.2	3,410.0	3,827.7	4,692.2
Long Term Assets as a % of Total Assets	25%	22%	23%	14%	31%	23%	23%	26%	24%	24%
Total Assets	**1,252.2**	**1,914.3**	**2,477.7**	**6,073.6**	**7,649.7**	**8,997.1**	**11,005.0**	**13,288.1**	**16,110.1**	**19,500.5**
Liabilities & Shareholders' Equity										
+ Accounts Payable	29.8	49.3	44.0	66.7	72.0	72.0	72.0	72.0	72.0	72.0
+ Short-Term Borrowings	1.6	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Short-Term Liabilities	545.5	892.1	1,338.4	1,708.7	2,183.7	2,183.7	2,183.7	2,183.7	2,183.7	2,183.7
Total Current Liabilities	576.8	943.1	1,382.4	1,775.4	2,255.7	2,255.7	2,255.7	2,255.7	2,255.7	2,255.7
+ Long-Term Borrowings	3.2	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Long-Term Liabilities	14.8	15.6	23.0	39.1	49.4	49.4	49.4	49.4	49.4	49.4
Total Long-Term Liabilities	18.0	17.1	23.0	39.1	49.4	49.4	49.4	49.4	49.4	49.4
Total Liabilities	594.7	960.2	1,405.3	1,814.5	2,305.2	2,305.2	2,305.2	2,305.2	2,305.2	2,305.2
+ Total Preferred Equity	2.5	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Share Capital & APIC	390.3	523.5	530.7	3,140.8	3,187.3	3,187.3	3,187.3	3,187.3	3,187.3	3,187.3
+ Retained Earnings & Other Equity	264.7	428.7	541.7	1,118.3	2,157.2	3,504.6	5,512.5	7,795.6	10,617.6	14,008.1
Total Equity	657.4	954.1	1,072.4	4,259.1	5,344.5	6,691.9	8,699.8	10,982.9	13,804.9	17,195.3
Total Liabilities & Equity	**1,252.2**	**1,914.3**	**2,477.7**	**6,073.6**	**7,649.7**	**8,997.1**	**11,005.0**	**13,288.1**	**16,110.1**	**19,500.5**

Table 2: Balance Sheet (Projected) (in million)

Table 3[1] calculates the FCFF on the basis of assumption and calculation shown in table 2.

In Millions of INR except Per Share	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Last 12 months	FY 2015 (E)	FY 2016 (E)	FY 2017 (E)	FY 2018 (E)	FY 2019 (E)
12 Months Ending	**31-Mar-10**	**31-Mar-11**	**31-Mar-12**	**31-Mar-13**	**31-Mar-14**	**31-Dec-14**	**31-Mar-15**	**31-Mar-16**	**31-Mar-17**	**31-Mar-18**	**31-Mar-19**
Operating profit (loss)	253.7	389.4	582.1	864.3	1256.0	1415.9	1530.9	2638.5	3036.7	3749.9	4502.2
Tax Provision as a % of Pretax Income	34%	32%	29%	30%	27%	29%	28%	30%	29%	29%	29%
- Tax Provision	85.9	124.0	170.7	263.2	337.1	404.0	426.6	791.6	875.6	1081.3	1298.2
Operating Profit after tax	167.8	265.3	411.4	601.1	918.9	1011.9	1104.3	1847.0	2161.0	2668.6	3203.9
+ Depreciation and Ammortization	50.0	67.9	90.2	144.0	172.9	224.9	193.8	280.5	383.3	546.1	722.5
- Capital Expenditure	99.10	191.86	230.84	361.43	209.09	430.41	504.18	432.00	635.13	866.03	959.66
- Increase in Working Capital	0	133.03	41.9748	-7.4149	113.2651		301.93	-12.06	195.82	262.09	190.82
Free Cash Flow to Firm							491.94	1707.54	1713.36	2086.59	2776.00
Year							1	2	3	4	5
Cost of Capital (WACC)							432.50	1319.84	1164.33	1246.63	1458.13

Table 3: FCFF (in million)

WACC is calculated on the assumptions mentioned in table 4 below.

Cost of Capital (WACC)	
Risk Free Return (10 Year G-Sec)	7.74%
Market Return (10 Year)	15.67%
Adjusted Beta	0.757
WACC	13.74%

Table 4: WACC Calculation

The DCF and the fair value per share is shown in table 5

PV for next 15 years	23482.75
Terminal Value	25286.14
Value of Operating Assets	48768.89
+ PV of other Investments	6178.71
Value of Equity	54947.60
Fair Value per Share	781.30

Table 5: DCF and Fair Value Per Share

The fair value per share on the basis of EV/EBITDA multiple method is shown in table 6.

EV/EBITDA Multiple	32.82
EBITDA at the end of FY 2016	2638.5
Terminal Value at the end of FY 2016	86595.57
PV of Terminal Value	66933.92
Value of Operating Assets	1752.34
+ PV of other Investments	6178.71
Value of Equity	73112.62
Fair Value Per Share	1039.59

Table 6: Exit Multiple and Fair Value

[1] The extended excel calculations like working capital schedule, depreciation and amortisation schedule, leasehold property, building, office equipment, furniture and fixture, motor cars, computers and debt schedule needed for calculation of FCCF are available with the author.

4.2. Valuation – Multiples – India

Table 7 calculates the value of Justdial on the basis of P/E of comparable Indian companies and it comes out to be rupees 2571. Indian dynamics shows that the current market price is grossly undervalued and a potential upside of about 150% exist over the long-term.

	Name	P/E
	Just Dial	76.27
	Jupiter Infomedia	222.22
	Rediff	Not Listed
	Average	149.25
	Current Market Price	1314.2
	Expected Share Price	2571.54
	Expected Valuation	180852.17 million

Table 7

Table 8 calculates the value of Justdial on the basis of P/E Multiple of Emerging Asia comparable companies and it comes out to be rupees 1607.30. Valuation multiples suggested by emerging Asian countries also suggest a similar trend, supporting a potential upside of over 50% over the long term perspective.

	Name	P/E
	Longmaster Information	331.34
	Jupiter Infomedia	222.22
	Ourplam	191.93
	Just Dial	76.27
	My EG	60.00
	Bangladesh Submarine	55.50
	Qihoo 360 Technologies	45.45
	Tencent Holdings	44.98
	Sina Corporation	35.89
	Baidu Incorporation	34.74
	Pacific Online	10.65
	Perfect World	10.45
	Sohu.com Incorporation	Not Listed
	Rediff	Not Listed
	Renren Incorporation	Not Listed
	Asiasoft Corporation	Not Listed
	Average	93.29
	Current Market Price	1314.2
	Expected Share Price	1607.30
	Expected Valuation	113038.74 Million

Table 8: Valuation – Multiples – Emerging Asia

Table 9 calculates the value of Justdial on the basis of P/E Multiple of comparable companies of advanced economies of the world and it comes out to be rupees 694.72. The picture is not so rosy, when we consider the picture from the eyes of advanced countries, and it suggests that the current market price is overvalued by about 30%.

	Name	P/E
	Just Dial	76.27
	Naver Corporation	51.38
	Tencent Holdings	44.98
	Sina Corporation	35.89
	Yahoo Incorporation	35.86
	Baidu Incorporation	34.74
	IAC Incorporation	31.37
	Google Incorporation	28.60
	AOL Incorporation	23.81
	Yahoo Japan	Not Listed
	Sohu.com Incorporation	Not Listed

	Conversant Incorporation	Not Listed
	Pandora Media Incorporation	Not Listed
	Zynga Incorporation	Not Listed
	LinkedIn Corporation	Not Listed
	Reachlocal Incorporation	Not Listed
	Average	40.32
	Current Market Price	1314.2
	Expected Share Price	694.72
	Expected Valuation	48734.93 Million

Table 9: Valuation – Multiples – Advanced

Table 10 calculates the value of Justdial on the basis of Multiples like P/B, P/E, P/sales, P/EBITDA, P/Asset, P/FCF, EV/EBITDA and EV/FCF of comparable global companies and the net valuation is shown in. Table 10(a) assign weights to different multiple. the global phenomena mentions that the share price is overvalued, but the momentum is very less, and it exceeds by only about 15%.

Company	P/B	P/E	P/Sales	P/EBITDA	P/Assets	P/FCF	EV/EBITDA	EV/FCF
Sawaca Business Machines Limited	10.38	339.89	14.48	972.14	7.23	174.66	585.48	174.00
Info Edge India Ltd.	12.84	75.35	11.93	66.99	7.59	67.33	61.07	61.37
PChome Online, Inc.	13.88	53.48	1.79	35.66	5.93	29.14	22.85	18.67
NAVER Corp.	10.40	43.41	6.73	20.84	5.51	N/A	N/A	N/A
Danal Co., Ltd	2.12	32.78	1.89	29.42	0.68	9.88	36.23	12.17
X-Legend Entertainment Co., Ltd.	8.58	31.35	9.46	24.13	7.03	30.85	20.73	26.50
MPS Limited	15.87	14.59	3.12	9.24	12.37	16.94	8.86	16.25
IGG, Inc.	3.56	10.04	3.26	9.68	3.06	7.12	N/A	N/A
Kanco Tea & Industries Ltd.	1.17	6.61	0.70	5.88	0.63	8.78	5.48	12.65
Just Dial Ltd.	14.73	71.19	16.70	59.68	10.25	95.69	73.78	91.19
Peer Median	10.38	32.78	3.26	24.13	5.93	23.04	22.85	18.67
Peer Mean	8.76	67.50	5.93	130.44	5.56	43.09	105.81	45.94
Current Market Price	1314.2	1314.2	1314.2	1314.2	1314.2	1314.2	1314.2	1314.2
Expected Share Price on Median	926.1	605.1	256.5	531.4	760.3	316.4	407.0	269.1
Expected Share Price on Mean Basis	781.2	1246.1	466.6	2872.4	712.7	591.8	1884.8	662.1
Expected Share Price	853.6	925.6	361.6	1701.9	736.5	454.1	1145.9	465.6
Gross Valuation	59882.7	64931.9	25363.5	119389.3	51667.4	31855.1	80386.3	32662.1
+ Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	6168.3	6168.3
Net Valuation	59882.7	64931.9	25363.5	119389.3	51667.4	31855.1	86554.6	38830.4

Table 10: Valuation – Multiples – Global

	Multiple	Expected Valuation	Weightage
	Price/Book Value	59882.7 Million	10 %
	Price/Earnings	64931.9 Million	10 %
	Price/Sales	25363.5 Million	10 %
	Price/EBITDA	119389.3 Million	10 %
	Price/Assets	51667.4 Million	10 %
	Price/FCF	31855.1 Million	10 %
	EV/EBITDA	86554.6 Million	20%
	EV/FCF	38830.4 Million	20%

Table 10(a): Valuation – Multiples – Global

Weighted Valuation of all the six method is shown in table 11 below. The weights assigned are mentioned in table 11 itself. Weighted Valuation is 71589.78 million INR and Fair Price per Share is Rs. 1017.93

	Methodology	Expected Valuation	Adjustment	Weightage
	FCFF – Gordon Growth	54947.6 Million	+ 6713.5	40 %
	FCFF – Exit Multiple	73112.6 Million	+ 7337.0	40 %
	Multiples - India	180852.1 Million	- -	1.66 %
	Multiples – Emerging Asia	113038.7 Million	- -	1.66 %
	Multiples - Advanced	48734.9 Million	- -	1.66 %
	Multiples - Global	60385.9 Million	- -	15 %

Table 11: Weighted Valuation

An adjustment of 6713 million in Gordon Growth Model and of rupees 7337 million in Exit Multiple is made to incorporate the market price today i.e. in March, 2015 as the data available stands as of the date 31-March-2014, and 11 months has passed since then.

5. Conclusion

The paper concludes that the valuation of an e-Commerce company Just Dial is overvalued. The analysis of projected financial statement shows that it is at least a profitable company. The company enjoys a positive cash flows and even further multiples for valuation. The weighted average value of price per share is very near to the price suggested by the exit multiple method. Although there are huge discrepancies that exist among the multiple valuation due to different perspectives and market conditions across the countries. Indian dynamics shows that the current market price is grossly undervalued and a potential upside of about 150% exist over the long-term. Valuation multiples suggested by emerging Asian countries also suggest a similar trend, supporting a potential upside of over 50% over the long term perspective.
The picture is not so rosy, when we consider the picture from the view of advanced countries, and it suggests that the current market price is overvalued by about 30%. Even the global phenomena mentions that the share price is overvalued, but the momentum is very less, and it exceeds by only about 15%. EPS and EPS growth-rate is not sufficient to sustain the current market price levels. Weighted Valuation is 71589.78 million INR and Fair Price per Share is Rs. 1017.93. The Sales Growth, EBITDA margin and EBITDA Growth rates are almost same as industry average, the P/E multiples are much higher, which again supports the share price being over-valued.

6. References

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