

Jubilant FoodWorks

BUY

Outperforms on expansion

Summary

Jubilant Foodworks (JUBI) has reported below expected result for 3QFY22. Overall business was materially impacted due to night-curfews, 50% cap on dine-in, 5% lower operating hours (vs pre-covid). JUBI added highest ever 75 stores during the quarter while forayed into 17 new cities. Also, encouraging to note that >60% orders are now delivered within 20 minutes. Store addition in emerging franchise remains soft, but acceleration expected in future. Expansion of Popeyes is tracking well; 2 stores added in Jan-Feb'22; 1 more to be added soon. Input cost pressure impacted gross margin. However price hike taken in 3QFY22 should be sufficient to restore margin. As per revised outlook; we have trimmed EPS estimate for FY22E by 11%. At current valuation; we upgrade our rating to BUY with a revised TP of Rs 4,036. We value JUBI at 65X FY24E EPS.

Key Highlights and Investment Rationale

- Recovery in dine-in improves; store addition on strong footing:** Revenue grew 13%YoY led by 7.5% LFL growth. Overall business stood at 113% pre-covid (vs 3QFY20). Dine-in, takeaway and delivery stood at 72%, 148% and 128% pre-covid. Added highest ever 75 Dominos (150 YTD FY22) along with 1 Dunkin and 1 HK. In international market; system sales growth stood at 96% and 38% YoY for SriLanka and Bangladesh respectively.
- Inflation impacts gross margin:** Gross margin contracted 70bpYoY (3rd consecutive decline) to 78% driven by input cost inflation. EBITDA margin expanded 24bp YoY to 27%. Adjusted PAT grew 10%YoY to Rs 1.4bn.
- Upgrade to BUY:** We have trimmed our EPS estimate by 11% in FY22E while broadly maintain estimate for FY23-24E. At current valuation; we upgrade our rating to buy. Our TP stands at Rs 4,036 valued at 65X FY24E EPS.

TP	Rs 4,036
CMP	Rs 3,301
Potential upside/downside	+22%
Previous Rating	HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	(8.1)	(12.1)	22.3
Rel to Sensex	(10.3)	(11.3)	2.7.

V/s Consensus

EPS (Rs)	FY22E	FY23E	FY24E
IDBI Capital	34.8	49.7	62.1
Consensus	37.3	50.9	64.6
% difference	(6.8)	(2.3)	(3.9)

Key Stock Data

Bloomberg/Reuters	JUBI IN /JUBI.BO
Sector	Restaurants
Shares o/s (mn)	132
Market cap. (Rs mn)	435,663
3-m daily average value (Rs mn)	198.2
52-week high / low	Rs4,577 / 2,597
Sensex / Nifty	59,558 / 17,780

Shareholding Pattern (%)

Promoters	41.9
FII	39.8
DII	10.9
Public	7.4

Financial snapshot

Year	FY20	FY21	FY22E	FY23E	FY24E
Revenue	38,858	32,689	43,684	55,926	66,237
Change (yoy, %)	10	(16)	34	28	18
EBITDA	8,771	7,666	11,304	14,632	17,514
Change (yoy, %)	44	(13)	47	29	20
EBITDA Margin(%)	22.6	23.5	25.9	26.2	26.4
Adj.PAT	2,755	2,338	4,592	6,557	8,195
EPS (Rs)	20.9	17.7	34.8	49.7	62.1
Change (yoy, %)	(14.7)	(15.1)	96.4	42.8	25.0
PE(x)	158.1	186.3	94.9	66.4	53.2
Dividend Yield (%)	-	-	-	-	-
EV/EBITDA (x)	48.9	56.1	38.1	29.4	24.4
RoE (%)	22.0	17.5	27.0	30.0	28.9
RoCE (%)	26.2	14.2	23.8	28.1	29.3

Source: IDBI Capital Research

Conference call highlights

- JFL took price hike in latter half of Dec.'21. Price increase to mitigate input cost pressure in 4QFY22
- 60% of delivery done under 20 minutes; driven by success of store-split strategy.
- Delivery fleet to include more e-bikes in India Dominos business (currently >10%)
- Dine-in was impacted in 2nd half of Dec.'21. Stores operated at 50% capacity due to COVID restrictions. Operational hours in 3QFY22 were 5% lower vs pre-covid. Closures due to curfews (post 9pm in Maharashtra, post 10pm in Delhi, Bangalore) impacted dine-in and takeaway.
- Own app sales were higher vs sales from aggregators
- Management believes LFL to be better indicator of real underlying revenue growth vs SSSG. LFL eliminates impact of store split. Stores opened before 2 years considered in computation of LFL (store opened prior to 31st March,2020 considered for LFL in 3QFY22)
- Payback period for new stores is < 3 years. In case of store split, mother store is back to pre-split sales in 2-3 years. Split stores provide higher revenue & EBITDA, lower delivery time & logistics costs and better customer experience
- In 3QFY22, JFL closed 15 Dominos stores in tech parks, metros, near railway stations and malls (2 stores in malls closed)
- Company targets to open c. 200 stores in FY22 (YTFY22 150 stores opened)
- JFL plans to expand Hongs Kitchen outside Delhi-NCR. Hongs is the largest Chinese QSR chain in Delhi-NCR in terms of store count.
- Company opened 2nd Popeyes store in Bangalore on 2nd Feb,2022. JFL aims for c. 100 Popeyes stores in India.
- Promotion expenses to be moderate in 4QFY22 due to input cost pressures.

Exhibit 1: Standalone Quarterly Snapshot

(INR m)	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	YTD FY22	YTD FY21	YoY (%)
Revenues	11,935	10,572	12.9	11,007	8.4	31,732	22,430	41.5
COGS	2,673	2,294	16.5	2,394	11.6	7,069	4,838	46.1
Gross profit	9,262	8,278	11.9	8,613	7.5	24,664	17,592	40.2
Gross Margin (%)	77.6	78.3	-70bps	78.2	-64bps	77.7	78.4	-71bps
Employee expenses	1,957	2,196	-10.9	1,915	2.2	5,521	5,360	3.0
<i>% of net sales</i>	<i>16.4</i>	<i>20.8</i>	<i>-437bps</i>	<i>17.4</i>	<i>-100bps</i>	<i>17.4</i>	<i>23.9</i>	<i>-650bps</i>
Other Expenses	4,132	3,296	25.3	3,838	7.6	10,993	7,058	55.7
<i>% of net sales</i>	<i>34.6</i>	<i>31.2</i>	<i>344bps</i>	<i>34.9</i>	<i>-25bps</i>	<i>34.6</i>	<i>31.5</i>	<i>318bps</i>
EBITDA	3,174	2,786	13.9	2,860	11.0	8,149	5,174	57.5
EBITDA Margin (%)	26.6	26.4	24bps	26.0	61bps	25.7	23.1	261bps
Depreciation	1,006	876	14.8	902	11.5	2,798	2,814	-0.5
EBIT	2,168	1,910	13.5	1,958	10.71	5,351	2,361	126.7
Other Income	109	156	-29.8	93	17.7	282	594	-52.4
Interest Expenses	446	405	10.2	416	7.1	1,280	1,236	3.6
PBT	1,831	1,661	10.2	1,635	12.0	4,353	1,719	153.3
Taxes	457	410		407		1,070	424	
Adjusted PAT	1,374	1,251	9.8	1,228	11.9	3,283	1,295	153.6
Extra-ordinary items	1	0		13		69	0	
Reported PAT	1,373	1,251	9.8	1,215	13.0	3,214	1,295	148.2
EPS	10.4	9.5	9.8	9.2	13.0	24.4	9.8	148.2

Source: Company; IDBI Capital Research

Exhibit 2: Consolidated Quarterly Snapshot

(INR m)	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	YTD FY22	YTD FY21	YoY (%)
Revenues	12,108	10,693	13.2	11,162	8.5	32,201	22,740	41.6
COGS	2,710	2,328	16.4	2,427	11.6	7,180	4,919	45.9
Gross profit	9,398	8,365	12.4	8,735	7.6	25,022	17,821	40.4
Gross Margin (%)	77.6	78.2	-61bps	78.3	-63bps	77.7	78.4	-66bps
Employee expenses	2,000	2,224	-10.1	1,956	2.2	5,644	5,442	3.7
<i>% of net sales</i>	<i>16.5</i>	<i>20.8</i>	<i>-428bps</i>	<i>17.5</i>	<i>-101bps</i>	<i>17.5</i>	<i>23.9</i>	<i>-640bps</i>
Other Expenses	4,207	3,342	25.9	3,902	7.8	11,188	7,172	56.0
<i>% of net sales</i>	<i>34.7</i>	<i>31.3</i>	<i>350bps</i>	<i>35.0</i>	<i>-21bps</i>	<i>34.7</i>	<i>31.5</i>	<i>321bps</i>
EBITDA	3,191	2,800	14.0	2,876	10.9	8,190	5,207	57.3
EBITDA Margin (%)	26.4	26.2	17bps	25.8	59bps	25.4	22.9	254bps
Depreciation	1,031	897	15.0	927	11.3	2,870	2,875	-0.2
EBIT	2,160	1,903	13.5	1,949	10.80	5,320	2,332	128.1
Other Income	111	159	-30.0	95	17.5	287	601	-52.2
Interest Expenses	455	410	10.9	422	7.7	1,300	1,251	3.9
PBT	1,816	1,652	10.0	1,622	12.0	4,306	1,682	156.1
Taxes	459	412		409		1,075	429	
Adjusted PAT	1,358	1,240	9.5	1,213	11.9	3,231	1,253	157.9
Extra-ordinary items	1	0		13		69	0	
Minority Interest	-7	-2		0		-11	-10	
Reported PAT	1,363	1,242	9.8	1,201	13.6	3,151	1,243	153.5
EPS	10.1	9.4	7.8	9.1	11.7	24.49	9.6	155.8

Source: Company; IDBI Capital Research

Exhibit 3: Actual vs. Estimates

(Rs mn)

Particulars	Actual	IDBI Estimate	% variation IDBI
Revenue	11,935	13,530	-11.8%
EBITDA	3,174	3,518	-9.8%
Margin (%)	26.6%	26.0%	
PAT	1,374	1687	-18.5%

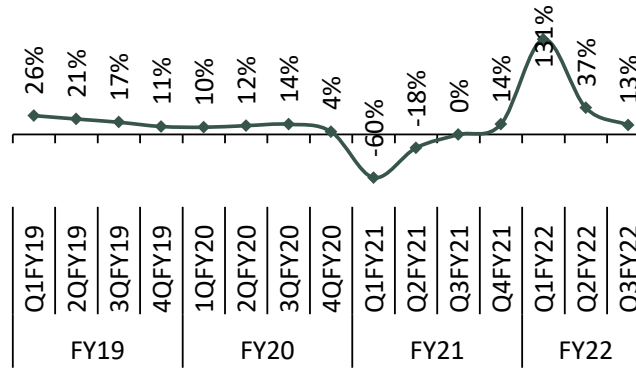
Source: Company; IDBI Capital Research

Exhibit 4: Change in estimates

	FY22E			FY23E			FY24E		
	New	Old	(%)Chg	New	Old	(%) Chg	New	Old	(%) Chg
Revenue (Rs mn)	43,684	48,553	-10.0%	55,926	56267	-0.6%	66,237	66352	-0.2%
EBITDA (Rs mn)	11,304	11,948	-5.4%	14632	14652	-0.1%	17514	17040	2.8%
EBITDA margin (%)	25.9%	24.6%		26.2%	26.0%		26.4%	25.7%	
Net profit (Rs mn)	4592	5150	-10.8%	6557	6648	-1.4%	8195	7916	3.5%
EPS (Rs)	34.8	39.0	-10.8%	49.7	50.4	-1.4%	62.1	60.0	3.5%

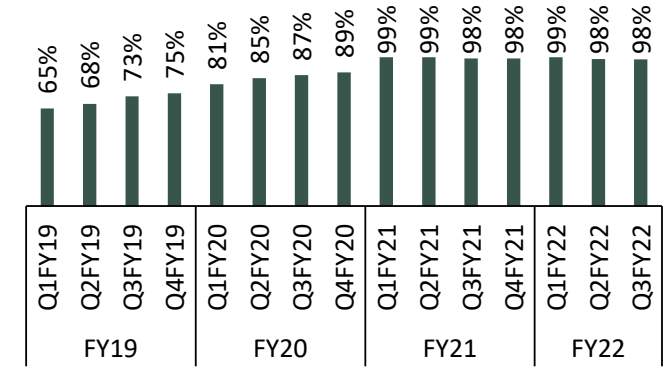
Source: Company; IDBI Capital Research

Exhibit 5: Revenue growth trend (% YoY)



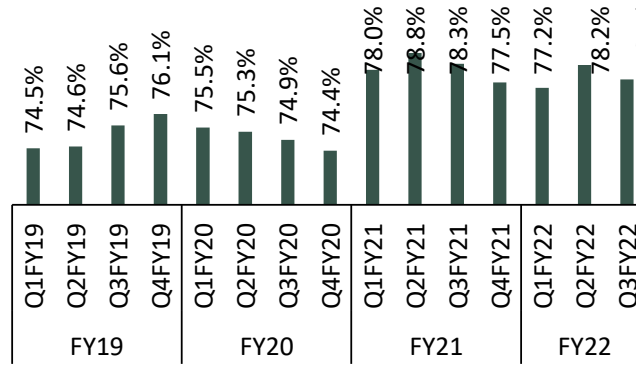
Source: Company; IDBI Capital Research

Exhibit 6: OLO Contribution to delivery (%)



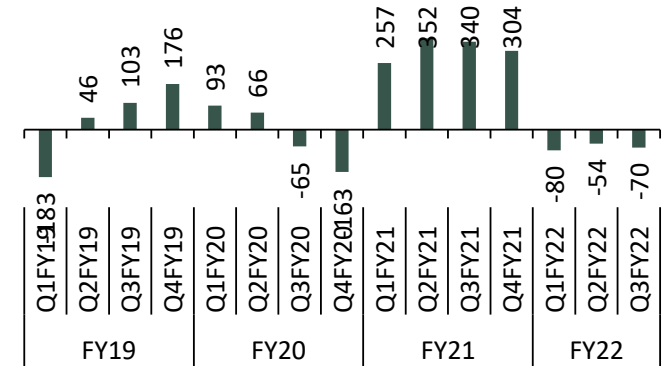
Source: Company; IDBI Capital Research

Exhibit 7: Gross margin trend (%)



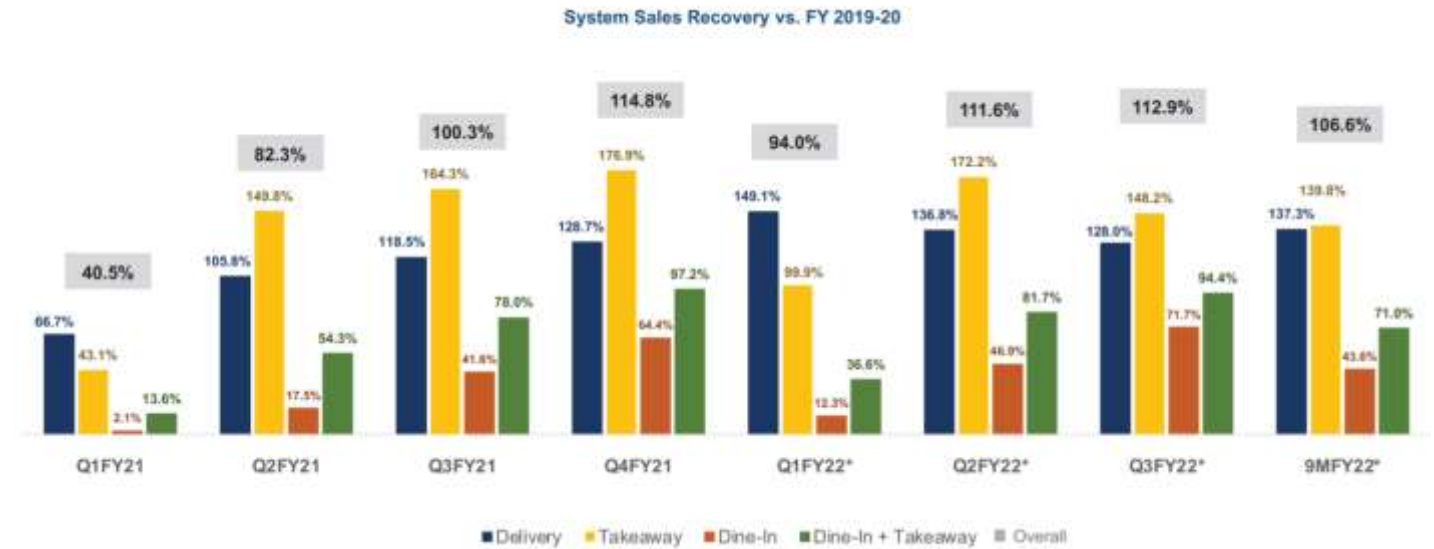
Source: Company; IDBI Capital Research

Exhibit 8: Change in gross margin (YoY in bp)



Source: Company; IDBI Capital Research

Exhibit 9: Domino's sales recovery trend



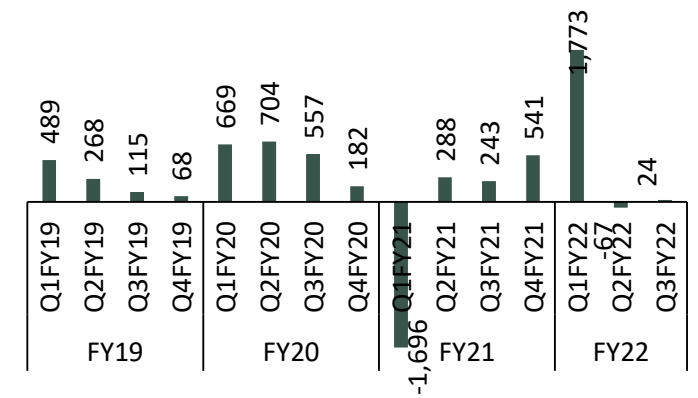
Source: Company; IDBI Capital Research

Exhibit 10: EBITDA Margin trend (%)



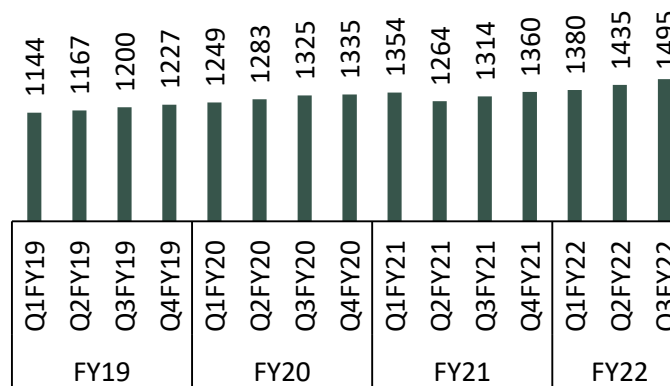
Source: Company; IDBI Capital Research

Exhibit 11: Change in EBITDA margin (YoY in bp)



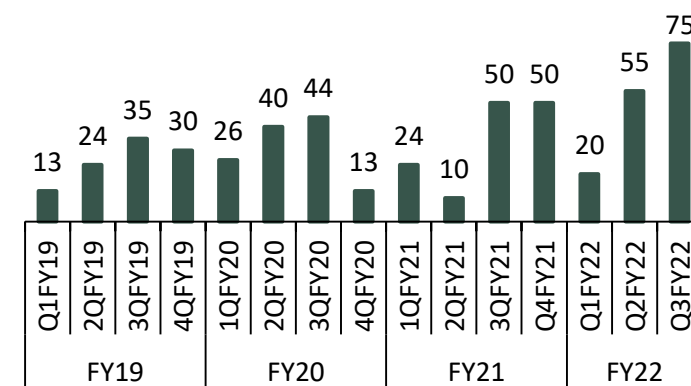
Source: Company; IDBI Capital Research

Exhibit 12: Total Domino's stores



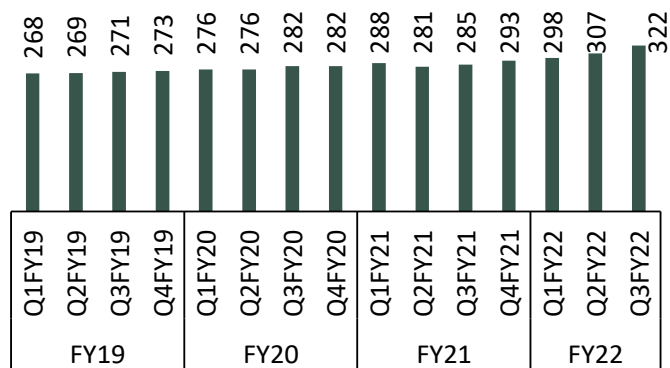
Source: Company; IDBI Capital Research

Exhibit 13: No. of domino's stores added



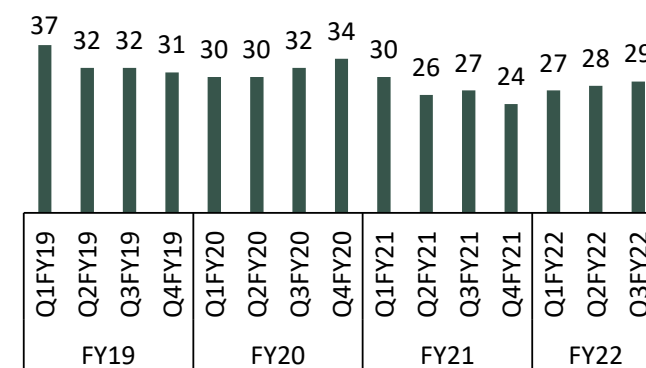
Source: Company; IDBI Capital Research

Exhibit 14: No. of cities with Dominos presence



Source: Company; IDBI Capital Research

Exhibit 15: Dunkin Donut store count



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net sales	35,307	38,858	32,689	43,684	55,926	66,237
<i>Change (yoy, %)</i>	18.5	10.1	(15.9)	33.6	28.0	18.4
Operating expenses	(29,229)	(30,087)	(25,022)	(32,380)	(41,294)	(48,723)
EBITDA	6,078	8,771	7,666	11,304	14,632	17,514
<i>Change (yoy, %)</i>	36.2	44.3	-12.6	47.5	29.4	19.7
<i>Margin (%)</i>	17.2	22.6	23.5	25.9	26.2	26.4
Depreciation	(1,523)	(3,441)	(3,672)	(3,819)	(4,389)	(4,959)
EBIT	4,555	5,330	3,994	7,485	10,243	12,555
Interest paid	-	(1,634)	(1,606)	(1,735)	(1,925)	(2,115)
Other income	469	688	704	387	445	512
Pre-tax profit	5,024	4,383	3,092	6,137	8,763	10,951
Tax	(1,717)	(1,180)	(754)	(1,545)	(2,206)	(2,756)
<i>Effective tax rate (%)</i>	34.2	26.9	24.4	25.2	25.2	25.2
Minority Interest	-	-	-	-	-	-
Net profit	3,307	3,203	2,338	4,592	6,557	8,195
Exceptional items	79	448	-	-	-	-
Adjusted net profit	3,228	2,755	2,338	4,592	6,557	8,195
<i>Change (yoy, %)</i>	56.4	(14.7)	(15.1)	96.4	42.8	25.0
EPS	24.5	20.9	17.7	34.8	49.7	62.1
Dividend per sh	-	-	-	-	-	-
<i>Dividend Payout %</i>	-	-	-	-	-	-

Balance Sheet

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Shareholders' funds	13,242	11,829	14,961	19,002	24,773	31,984
Share capital	1,320	1,320	1,320	1,320	1,320	1,320
Reserves & surplus	11,922	10,510	13,642	17,683	23,453	30,665
Total Debt	40	-	-	-	-	-
Other liabilities	492	15,081	14,505	14,505	14,505	14,505
Curr Liab & prov	5,364	7,078	8,535	10,200	11,642	12,857
Current liabilities	5,119	6,801	8,116	7,976	9,418	10,633
Provisions	245	278	419	2,224	2,224	2,224
Total liabilities	5,896	22,159	23,040	24,705	26,147	27,362
Total equity & liabilities	19,138	33,988	38,001	43,708	50,920	59,346
Net fixed assets	7,999	8,734	8,777	10,456	11,583	12,361
Investments	887	834	5,324	5,324	5,324	5,324
Other non-curr assets	2,188	16,014	15,740	15,740	15,740	15,740
Current assets	8,064	8,407	8,160	12,188	18,273	25,921
Inventories	731	922	1,305	1,787	2,328	2,757
Sundry Debtors	327	193	179	358	479	613
Cash and Bank	4,891	6,392	5,175	4,541	5,964	9,049
Loans and advances	-	-	-	-	-	-
Total assets	19,138	33,988	38,001	43,708	50,920	59,346

Cash Flow Statement

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Pre-tax profit	4,945	3,935	3,092	6,137	8,763	10,951
Depreciation	1,523	3,441	3,672	2,022	2,372	2,722
Tax paid	(1,773)	(1,395)	(865)	(1,545)	(2,206)	(2,756)
Chg in working capital	179	137	160	(4,801)	(3,219)	(3,349)
Other operating activities	(535)	1,044	1,142	1,735	1,925	2,115
Cash flow from operations (a)	4,339	7,164	7,201	3,548	7,635	9,683
Capital expenditure	(1,595)	(2,775)	(2,124)	(3,700)	(3,500)	(3,500)
Chg in investments	(3,079)	1,409	(249)	-	-	-
Other investing activities	215	390	358	-	-	-
Cash flow from investing (b)	(4,459)	(976)	(2,015)	(3,700)	(3,500)	(3,500)
Equity raised/(repaid)	-	-	-	0	0	-
Debt raised/(repaid)	-	-	-	-	-	-
Dividend (incl. tax)	(330)	(1,451)	(1)	(551)	(787)	(983)
Chg in minorities	-	(45)	-	-	-	-
Other financing activities	4,055	(3,191)	(2,802)	3,009	(1,925)	(2,115)
Cash flow from financing (c)	3,725	(4,687)	(2,803)	2,458	(2,712)	(3,099)
Net chg in cash (a+b+c)	3,606	1,501	2,383	2,306	1,423	3,085

Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Book Value (Rs)	100	90	113	144	188	242
Adj EPS (Rs)	24.5	20.9	17.7	34.8	49.7	62.1
Adj EPS growth (%)	(21.8)	(14.7)	(15.1)	96.4	42.8	25.0
EBITDA margin (%)	17.2	22.6	23.5	25.9	26.2	26.4
Pre-tax margin (%)	14.2	11.3	9.5	14.0	15.7	16.5
Net Debt/Equity (x)	(0.4)	(0.5)	(0.3)	(0.2)	(0.2)	(0.3)
ROCE (%)	36.7	26.2	14.2	23.8	28.1	29.3
ROE (%)	27.3	22.0	17.5	27.0	30.0	28.9

DuPont Analysis

Asset turnover (x)	2.0	1.5	0.9	1.1	1.2	1.2
Leverage factor (x)	1.5	2.1	2.7	2.4	2.2	1.9
Net margin (%)	9.1	7.1	7.2	10.5	11.7	12.4

Working Capital & Liquidity ratio

Inventory days	8	9	15	15	15	15
Receivable days	3	2	2	3	3	3
Payable days	52	54	77	58	58	58

Valuations

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	134.9	158.1	186.3	94.9	66.4	53.2
Price/Book value (x)	32.9	36.8	29.1	22.9	17.6	13.6
EV/Net sales (x)	12.2	11.0	13.2	9.9	7.7	6.4
EV/EBITDA (x)	70.9	48.9	56.1	38.1	29.4	24.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company; IDBI Capital Research



Notes

Dealing

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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