

Jubilant FoodWorks

BUY

Strong performance; high conviction BUY

Summary

Jubilant Foodworks (JUBI) has reported above-expected result for 1QFY23. Revenue growth at 41%YoY (10% 4 year CAGR) driven by 28% YoY LFL growth is healthy driven by strong growth in dine-in (reached close to pre-covid levels) and takeaway channels while delivery continued to sustain growth momentum. Store addition trend is on track; added 58 stores in DOMINOS India, 1 store each in Srilanka and Bangladesh and 2 new stores each in Popeyes and Hongs Kitchen. JUBI launched its first ever loyalty program; a free pizza after 6 eligible orders. During the quarter; JUBI closed 9 loss-making Delco stores (3 stores each of DUNKIN, EKDUM and HK). Positively, JUBI guides for being able to maintain current operating margins. Accordingly, we maintain our EPS estimates for FY23-24E. We maintain BUY on JUBI with revised TP of Rs 767.

Key Highlights and Investment Rationale

- Recovery in dine-in aids topline:** Revenue grew 41%YoY led by 28% LFL growth. Dine-in and takeaway channels grew sequentially and growth momentum continued for delivery. Added 58 Dominos, 2 HK, 2 Popeyes and closed 3 Dunkin, 3 HK and 3 Ek dum during the quarter. In international market; system sales growth stood at 83% and 49% YoY for Sri Lanka and Bangladesh respectively.
- Sustained margins despite inflationary headwinds:** Gross margin contracted 52bps YoY to 76.7%. However, EBITDA margin expanded 49bps YoY to 24.6%. Adjusted PAT grew 87%YoY to Rs1,276 mn.
- Maintain BUY:** Broadly we maintain our EPS estimates for FY23-24E. We value JUBI at 60x FY24E EPS. We maintain our high conviction BUY on JUBI with revised TP of Rs 767.

TP	Rs 767
CMP	Rs 566
Potential upside/downside	35%
Previous Rating	BUY

Price Performance (%)

	-1m	-3m	-12m
Absolute	5.8	4.3	(22.7)
Rel to Sensex	(1.1)	5.5	(31.1)

V/s Consensus

EPS (Rs)	FY23E	FY24E
IDBI Capital	10.2	12.8
Consensus	8.6	11.0
% difference	18.1	15.9

Key Stock Data

Bloomberg/Reuters	JUBI IN /JUBI.BO
Sector	Restaurants
Shares o/s (mn)	660
Market cap. (Rs mn)	373,538
3-m daily average value (Rs mn)	87.9
52-week high / low	Rs915 / 452
Sensex / Nifty	56,858 / 16,930

Shareholding Pattern (%)

Promoters	41.9
FII	29.8
DII	16.5
Public	11.8

Financial snapshot

Year	FY20	FY21	FY22	FY23E	FY24E
Revenue	38,858	32,689	43,311	57,485	69,174
Change (yoy, %)	10	(16)	32	33	20
EBITDA	8,771	7,666	11,108	15,479	18,966
Change (yoy, %)	44	(13)	45	39	23
EBITDA Margin(%)	22.6	23.5	25.6	26.9	27.4
Adj.PAT	2,755	2,338	4,437	7,115	8,885
EPS (Rs)	4.0	3.4	6.4	10.2	12.8
Change (yoy, %)	(14.7)	(15.1)	89.8	60.3	24.9
PE(x)	142.8	168.3	88.7	55.3	44.3
Dividend Yield (%)	-	-	-	-	-
EV/EBITDA (x)	44.1	50.6	34.9	25.5	20.6
RoE (%)	22.0	17.5	24.7	29.4	28.5
RoCE (%)	26.2	14.2	21.4	26.4	27.4

Source: IDBI Capital Research

Conference call highlights

- JUBI took price hike in April'22. At current inflation levels, company will not take further price increase
- Dine-in has reached close to pre-covid level (M-o-M, Q-o-Q improvement). Company expects recovery in Dine-in to sustain with order growth and improvement in ticket size
- 70% of orders are delivered within 20 minutes. Delivery witnessed healthy order led growth during 1QFY23 despite high base
- Quantity per order has marginally declined due to down trading by consumers
- New loyalty program (Dominos Cheesy Rewards) to attract new customers and drive frequency with existing customers. Company expects discount level to remain similar as earlier even after launch of loyalty program (margin accretive). Menu localization through paratha pizza received good response from customers
- Company closed loss making Delco stores of Hong's Kitchen, Ekdum and Dunkin during the quarter. For Hong's, company is building awareness and improving store designs. PAN India launch of Hong's Kitchen is likely to be in FY24E. JUBI recruited 'Coffee First Strategy' for Dunkin by adding coffee kiosks, new range of coffees and serving ready to eat/ ready to serve foods
- JUBI witnessed higher growth in Tier 2, 3 & 4 cities compared to Tier 1. Company is present in +170 cities where in it is the only QSR (total 349 cities)
- With 100% stake in JGHL subsidiary and change in management capabilities JUBI expects healthy expansion in Bangladesh business going forward. JUBI witnessed high order led growth in Sri Lanka despite economic concerns. Impairment on investments made in Sri Lanka is for depreciating currency and rising interest rate in the country
- Company acquired 40% stake in Roadcast Tech which will provided synergies in last mile delivery, fleet management and driver tracking (earlier used 3rd party tracking service)
- JUBI targets to add 250 Dominos and 20-30 Popeyes stores in FY23E
- Company expects to maintain margins near to current level of c. 25% going forward

Exhibit 1: Standalone Quarterly Snapshot

(INR m)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	YTFY23	YTFY22	YoY (%)
Revenues	12,403	8,790	41.1	11,579	7.1	12,403	8,790	41.1
COGS	2,888	2,002	44.3	2,612	10.6	2,888	2,002	44.3
Gross profit	9,514	6,788	40.2	8,967	6.1	9,514	6,788	40.2
Gross Margin (%)	76.7	77.2	-52bps	77.4	-73bps	76.7	77.2	-52bps
Employee expenses	2,041	1,650	23.7	1,992	2.5	2,041	1,650	23.7
<i>% of net sales</i>	<i>16.5</i>	<i>18.8</i>	<i>-231bps</i>	<i>17.2</i>	<i>-75bps</i>	<i>16.5</i>	<i>18.8</i>	<i>-231bps</i>
Other Expenses	4,428	3,023	46.5	4,016	10.2	4,428	3,023	46.5
<i>% of net sales</i>	<i>35.7</i>	<i>34.4</i>	<i>131bps</i>	<i>34.7</i>	<i>101bps</i>	<i>35.7</i>	<i>34.4</i>	<i>131bps</i>
EBITDA	3,045	2,115	44.0	2,959	2.9	3,045	2,115	44.0
EBITDA Margin (%)	24.6	24.1	49bps	25.6	-100bps	24.6	24.1	49bps
Depreciation	1,050	890	18.0	1,031	1.8	1,050	890	18.0
EBIT	1,995	1,225	62.9	1,927	3.50	1,995	1,225	62.9
Other Income	106	80	31.9	124	-14.7	106	80	31.9
Interest Expenses	459	418	9.9	450	2.0	459	418	9.9
PBT	1,642	887	85.0	1,602	2.5	1,642	887	85.0
Taxes	366	206	77.6	374	-2.3	366	206	77.6
Adjusted PAT	1,276	681	87.3	1,227	4.0	1,276	681	87.3
Extra-ordinary items	266	56		4		266	56	
Reported PAT	1,010	626	61.4	1,223	-17.5	1,010	626	61.4
EPS	1.5	0.9	70.0	1.8	-13.1	1.5	0.9	70.0

Source: Company; IDBI Capital Research

Exhibit 2: Consolidated Quarterly Snapshot

(INR m)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	YTD FY23	YTD FY22	YoY (%)
Revenues	12,551	8,932	40.5	11,760	6.7	12,551	8,932	40.5
COGS	2,927	2,043	43.3	2,720	7.6	2,927	2,043	43.3
Gross profit	9,624	6,889	39.7	9,040	6.5	9,624	6,889	39.7
Gross Margin (%)	76.7	77.1	-45bps	76.9	-20bps	76.7	77.1	-45bps
Employee expenses	2,082	1,688	23.4	2,039	2.1	2,082	1,688	23.4
<i>% of net sales</i>	<i>16.6</i>	<i>18.9</i>	<i>-230bps</i>	<i>17.3</i>	<i>-75bps</i>	<i>16.6</i>	<i>18.9</i>	<i>-230bps</i>
Other Expenses	4,500	3,079	46.2	4,103	9.7	4,500	3,079	46.2
<i>% of net sales</i>	<i>35.9</i>	<i>34.5</i>	<i>139bps</i>	<i>34.9</i>	<i>97bps</i>	<i>35.9</i>	<i>34.5</i>	<i>139bps</i>
EBITDA	3,041	2,123	43.3	2,898	4.9	3,041	2,123	43.3
EBITDA Margin (%)	24.2	23.8	46bps	24.6	-41bps	24.2	23.8	46bps
Depreciation	1,071	913	17.4	1,060	1.0	1,071	913	17.4
EBIT	1,970	1,210	62.8	1,838	7.21	1,970	1,210	62.8
Other Income	107	82	30.5	126	-15.6	107	82	30.5
Interest Expenses	469	424	10.6	461	1.8	469	424	10.6
PBT	1,608	868	85.2	1,503	7.0	1,608	868	85.2
Taxes	368	208	77.1	377	-2.4	368	208	77.1
Adjusted PAT	1,240	661	87.7	1,127	10.1	1,240	661	87.7
Extra-ordinary items	0	56		4		0	56	
Minority Interest	-2	-5		-7		-2	-5	
Reported PAT	1,242	610	103.8	1,130	9.9	1,239	600	106.3
EPS	1.7	1.1	62.0	1.5	16.4	1.71	1.1	62.0

Source: Company; IDBI Capital Research

Exhibit 3: Actual vs. Estimates

(Rs mn)

Particulars	Actual	IDBI Estimate	% variation IDBI
Revenue	12,403	11,383	9.0%
EBITDA	3,045	2,846	7.0%
<i>Margin (%)</i>	24.6%	25.0%	
PAT	1,276	889	43.5%

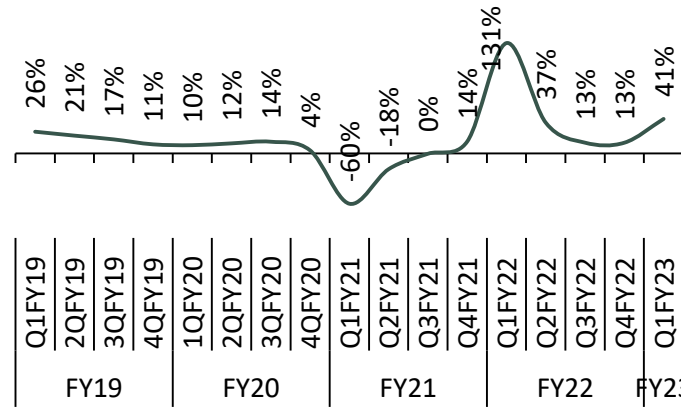
Source: Company; IDBI Capital Research

Exhibit 4: Change in estimates

	FY23E			FY24E		
	New	Old	(%) Chg	New	Old	(%) Chg
Revenue (Rs mn)	57,485	57,485	0.0%	69,174	69,174	0.0%
EBITDA (Rs mn)	15,479	15,590	-0.7%	18,966	18,947	0.1%
<i>EBITDA margin (%)</i>	26.9%	27.1%		27.4%	27.4%	
Net profit (Rs mn)	7,115	7,017	1.4%	8,885	8,871	0.2%
EPS (Rs)	10.2	10.1	1.4%	12.8	12.8	0.2%

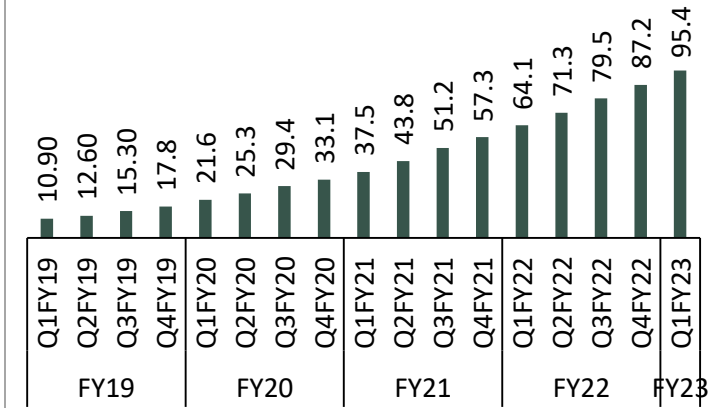
Source: Company; IDBI Capital Research

Exhibit 5: Revenue growth trend (% YoY)



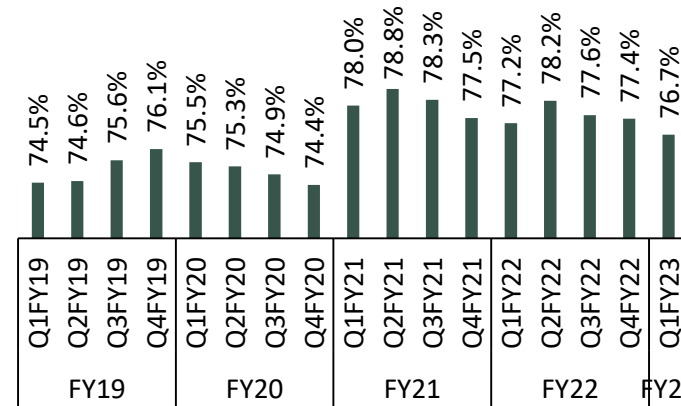
Source: Company; IDBI Capital Research

Exhibit 6: App downloads (Mn)



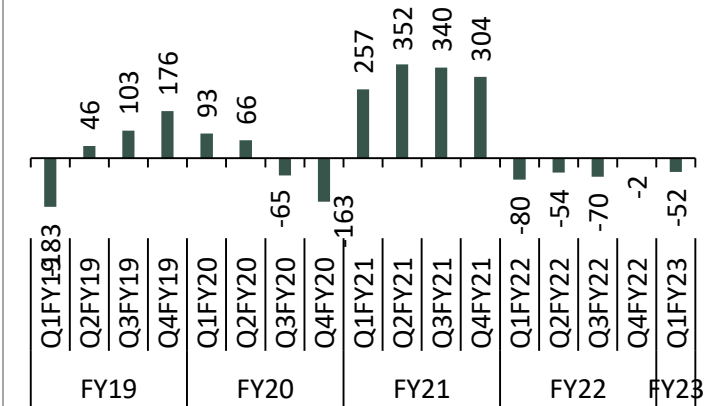
Source: Company; IDBI Capital Research

Exhibit 7: Gross margin trend (%)



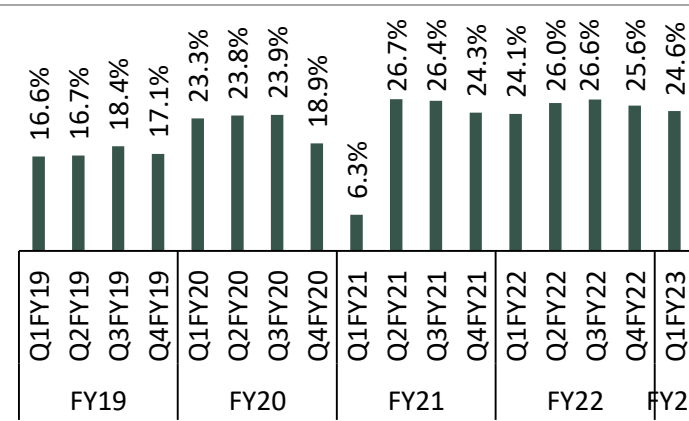
Source: Company; IDBI Capital Research

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



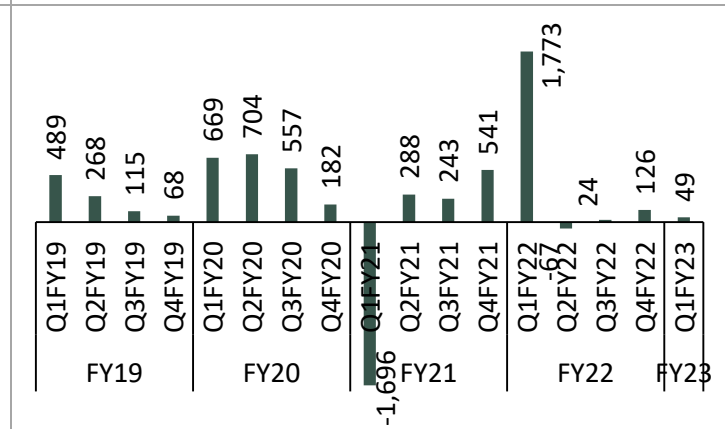
Source: Company; IDBI Capital Research

Exhibit 9: EBITDA Margin trend (%)



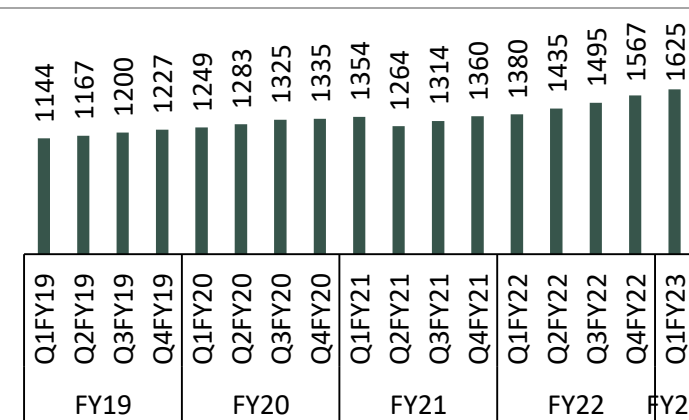
Source: Company; IDBI Capital Research

Exhibit 10: Change in EBITDA margin (YoY in bp)



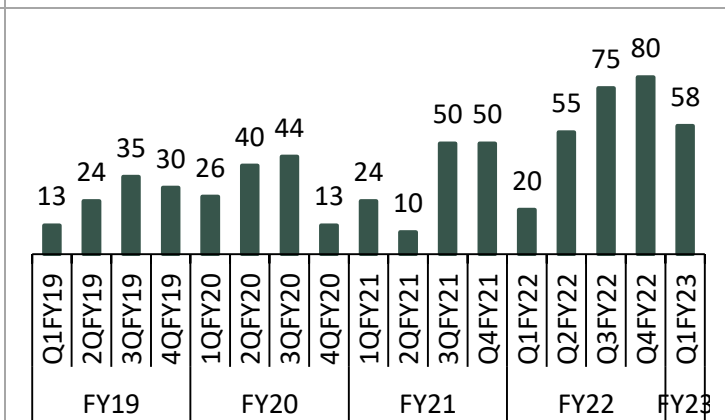
Source: Company; IDBI Capital Research

Exhibit 11: Total Domino's stores



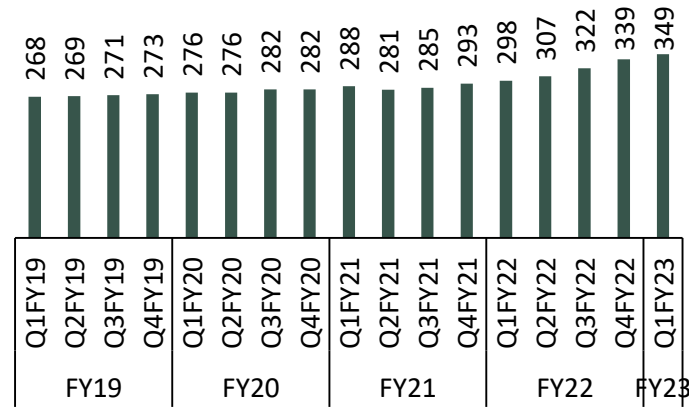
Source: Company; IDBI Capital Research

Exhibit 12: No. of domino's stores added



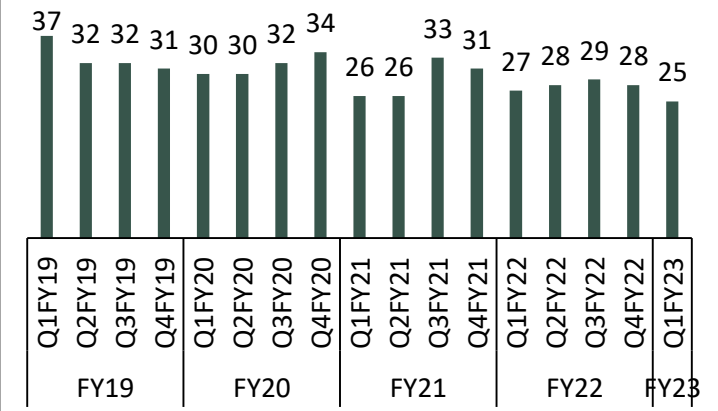
Source: Company; IDBI Capital Research

Exhibit 13: No. of cities with Dominos presence



Source: Company; IDBI Capital Research

Exhibit 14: Dunkin Donut store count



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Net sales	35,307	38,858	32,689	43,311	57,485	69,174
<i>Change (yoy, %)</i>	18.5	10.1	(15.9)	32.5	32.7	20.3
Operating expenses	(29,229)	(30,087)	(25,022)	(32,203)	(42,006)	(50,208)
EBITDA	6,078	8,771	7,666	11,108	15,479	18,966
<i>Change (yoy, %)</i>	36.2	44.3	-12.6	44.9	39.3	22.5
<i>Margin (%)</i>	17.2	22.6	23.5	25.6	26.9	27.4
Depreciation	(1,523)	(3,441)	(3,672)	(3,830)	(4,431)	(5,559)
EBIT	4,555	5,330	3,994	7,278	11,048	13,407
Interest paid	-	(1,634)	(1,606)	(1,730)	(2,007)	(2,071)
Other income	469	688	704	407	468	538
Pre-tax profit	5,024	4,383	3,092	5,955	9,508	11,873
Tax	(1,717)	(1,180)	(754)	(1,444)	(2,393)	(2,989)
<i>Effective tax rate (%)</i>	34.2	26.9	24.4	24.3	25.2	25.2
Minority Interest	-	-	-	-	-	-
Net profit	3,307	3,203	2,338	4,511	7,115	8,885
Exceptional items	79	448	-	73	-	-
Adjusted net profit	3,228	2,755	2,338	4,437	7,115	8,885
<i>Change (yoy, %)</i>	56.4	(14.7)	(15.1)	89.8	60.3	24.9
EPS	4.6	4.0	3.4	6.4	10.2	12.8
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	21,035	27,296	35,115
Share capital	1,320	1,320	1,320	1,320	1,320	1,320
Reserves & surplus	11,922	10,510	13,642	19,715	25,976	33,795
Total Debt	40	-	-	-	-	-
Other liabilities	492	15,081	14,505	17,658	17,658	17,658
Curr Liab & prov	5,364	7,078	8,535	9,060	8,489	9,866
Current liabilities	5,119	6,801	8,116	8,653	8,082	9,459
Provisions	245	278	419	407	407	407
Total liabilities	5,896	22,159	23,040	26,719	26,147	27,524
Total equity & liabilities	19,138	33,988	38,001	47,754	53,443	62,639
Net fixed assets	7,999	8,734	8,777	11,086	13,469	14,463
Investments	887	834	5,324	8,547	8,547	8,547
Other non-curr assets	2,188	16,014	15,740	18,667	18,667	18,667
Current assets	8,064	8,407	8,160	9,386	7,385	15,587
Inventories	731	922	1,305	1,571	2,510	3,121
Sundry Debtors	327	193	179	268	475	630
Cash and Bank	4,891	6,392	5,175	5,400	(1,676)	1,760
Loans and advances	-	-	-	-	-	-
Total assets	19,138	33,988	38,001	47,754	53,443	62,639

Cash Flow Statement

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Pre-tax profit	4,945	3,935	3,092	5,882	9,508	11,873
Depreciation	1,523	3,441	3,672	3,830	2,355	3,381
Tax paid	(1,773)	(1,395)	(865)	(1,405)	(2,393)	(2,989)
Chg in working capital	179	137	160	(348)	(3,728)	(3,389)
Other operating activities	(535)	1,044	1,142	1,376	2,079	2,071
Cash flow from operations (a)	4,339	7,164	7,201	9,334	7,822	10,949
Capital expenditure	(1,595)	(2,775)	(2,124)	(3,791)	(4,739)	(4,375)
Chg in investments	(3,079)	1,409	(249)	(2,184)	-	-
Other investing activities	215	390	358	229	-	-
Cash flow from investing (b)	(4,459)	(976)	(2,015)	(5,746)	(4,739)	(4,375)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	-	-	-	-	-	-
Dividend (incl. tax)	(330)	(1,451)	(1)	(79,173)	(854)	(1,066)
Chg in minorities	-	(45)	-	-	-	-
Other financing activities	4,055	(3,191)	(2,802)	75,331	(2,007)	(2,071)
Cash flow from financing (c)	3,725	(4,687)	(2,803)	(3,842)	(2,861)	(3,137)
Net chg in cash (a+b+c)	3,606	1,501	2,383	(254)	221	3,436

Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Book Value (Rs)	19	17	22	30	39	51
Adj EPS (Rs)	4.6	4.0	3.4	6.4	10.2	12.8
Adj EPS growth (%)	56.4	(14.7)	(15.1)	89.8	60.3	24.9
EBITDA margin (%)	17.2	22.6	23.5	25.6	26.9	27.4
Pre-tax margin (%)	14.2	11.3	9.5	13.7	16.5	17.2
Net Debt/Equity (x)	(0.4)	(0.5)	(0.3)	(0.3)	0.1	(0.1)
ROCE (%)	36.7	26.2	14.2	21.4	26.4	27.4
ROE (%)	27.3	22.0	17.5	24.7	29.4	28.5

DuPont Analysis

Asset turnover (x)	2.0	1.5	0.9	1.0	1.2	1.3
Leverage factor (x)	1.5	2.1	2.7	2.4	2.0	1.7
Net margin (%)	9.1	7.1	7.2	10.2	12.4	12.8

Working Capital & Liquidity ratio

Inventory days	8	9	15	13	16	16
Receivable days	3	2	2	2	3	3
Payable days	52	54	77	61	59	59

Valuations

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	121.9	142.8	168.3	88.7	55.3	44.3
Price/Book value (x)	29.7	33.3	26.3	18.7	14.4	11.2
EV/Net sales (x)	11.0	10.0	11.9	9.0	6.9	5.7
EV/EBITDA (x)	63.9	44.1	50.6	34.9	25.5	20.6
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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