

May 20, 2020

## Q4FY20 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		ACCUMULATE	
Target Price	1,392		1,490	
Sales (Rs. m)	34,121	44,016	33,026	43,319
% Chng.	3.3	1.6		
EBITDA (Rs. m)	8,524	11,774	7,687	11,128
% Chng.	10.9	5.8		
EPS (Rs.)	19.7	32.4	20.2	34.7
% Chng.	(2.7)	(6.6)		

### Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	35,307	38,858	34,121	44,016
EBITDA (Rs. m)	6,078	8,771	8,524	11,774
Margin (%)	17.2	22.6	25.0	26.7
PAT (Rs. m)	3,307	3,203	2,598	4,272
EPS (Rs.)	25.1	24.3	19.7	32.4
Gr. (%)	60.2	(3.2)	(18.9)	64.4
DPS (Rs.)	2.5	6.0	6.0	10.0
Yield (%)	0.2	0.4	0.4	0.7
RoE (%)	27.9	25.6	17.7	22.1
RoCE (%)	38.5	42.5	32.6	37.9
EV/Sales (x)	5.5	5.0	5.7	4.3
EV/EBITDA (x)	32.1	22.3	22.7	16.2
PE (x)	61.0	63.0	77.7	47.3
P/BV (x)	15.3	17.1	11.5	9.6

### Key Data

JUBI.BO | JUBI IN

52-W High / Low	Rs.1,974 / Rs.1,078
Sensex / Nifty	30,819 / 9,067
Market Cap	Rs.202bn/ \$ 2,664m
Shares Outstanding	132m
3M Avg. Daily Value	Rs.4583.4m

### Shareholding Pattern (%)

Promoter's	-
Foreign	-
Domestic Institution	-
Public & Others	-
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	0.7	(3.8)	16.9
Relative	3.4	26.9	49.2

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## Near Term pain, LT intact; Downgrade to Hold

### Quick Pointers:

- 938 stores operational, small town delivery sales near normal
- Dine in stores would require capex, recovery would be delayed

**We are cutting FY21 and FY22 EPS estimates of JUBI by 2.7% and 6.6% (43.3% and 22.1% cut on April 12) and rating from Accumulate to Hold with a target price of Rs1392 (Rs1490 earlier). Although encouraging 4Q SSG, benign input costs and near normal small town delivery sales are positive, we see near term headwinds from 1) closure of 30% stores with opening unlikely before Mid June 2) loss of dine in sales due to social distancing 3) lower store openings 60 in FY21 (80 earlier) as focus shifts to redesigning of old dine in stores. We believe dine in sales will be slow to recover given that mall/ high street based stores will be impacted by social distancing norms.**

**We believe post COVID consumer behavior will see an increase in demand for branded products with high assurance of quality and Hygiene and significant hit to past threats like PE funded startups and cloud kitchens. JUBI is well placed to gain from emerging scenario, although near term pressure on profitability looks certain, more so if it goes for aggressive expansion of Hong's kitchen and Dunkin Donuts in the new scenario. We value the stock at 43x FY22 EPS and downgrade the stock to Hold. We would recommend fresh exposure at 10%-15% correction from current levels.**

**Concall Takeaways:** 1) Strong revenue performance until February '20 with LFL growths in January '20 being 8.4% (SSG 7.2%) and in February '20 14.9% (SSG 13.1%) which was set off by sharp drop in revenues in March '20 (SSG -28.4%). 2) Currently 938 stores operational and delivering; smaller towns are witnessing normal deliveries. The management expects mall outlets to reopen by mid-June 3) 33 stores will be added in 1Q (rollover from 4QFY20, stores which were ready but could not start operations). No further store addition in 1Q. 4) Prices of milk and cheese are softening which will push gross margins upwards in 1QFY21. 5) Dominos essentials buys grocery from FMCG companies, sells through Domino's app and delivers Atta, milk, spices and oil to ~100 cities. 6) JUBI has rationalized rent cost (reached out to landlords and invoked Force Majeure clause for some stores), manpower cost (converting full-time and part-time workers to flexi-time workers), warehousing costs and general admin costs (moved from AMC contracts to spending only if there is breakdown) 7) Plans to open Hongs Kitchen stores in Delhi NCR in FY21 and then gradually expand to other cities 8) Most dine in stores will require capex and redesigning in line with new social distancing norms.

**SSG down 3.4%, Margins under pressure:** Net Sales increased 3.8% to Rs8.98bn (Est Rs8.19bn). SSG came at -3.4% (est -7%) in Domino's. LTL sales growth was -2.3%. Gross margin contracted 160bps YoY to 74.4%. EBITDA increased 14.8% to Rs1.70bn (est Rs1.83bn). EBITDA margins expanded 180bps YoY to 18.9% mainly on account of lower rent expenses due to Ind AS 116. Adj. PAT decreased 44.8% to Rs452mn (Est Rs687mn). JUBI added net 10 Dominos stores (net) taking the total to 1335 stores across 282 cities. 2 Dunkin Donuts and 2 Hong's Kitchen store were added.

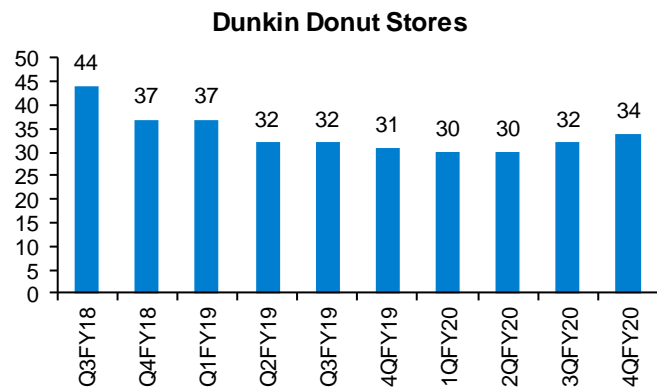


**Exhibit 1: 4QFY20 Sales were up 3.8%, PAT down 44.8%**

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
<b>Net Sales</b>	8,979	8,652	3.8	10,596	38,858	35,307	10.1
<b>Gross Profit</b>	<b>6,682</b>	<b>6,581</b>	<b>1.5</b>	<b>7,937</b>	<b>29,151</b>	<b>26,548</b>	9.8
<i>% of NS</i>	74.4	76.1	(1.6)	74.9	75.0	75.2	
<b>EBITDA</b>	<b>1,695</b>	<b>1,476</b>	<b>14.8</b>	<b>2,536</b>	<b>8,771</b>	<b>6,078</b>	44.3
<i>Margins %</i>	18.9	17.1	1.8	23.9	22.6	17.2	
Depreciation	916	400	129.1	880	3,441	1,523	126.0
Interest	410	-		426	1,635	-	
Other Income	204	151	34.8	159	688	469	46.7
<b>PBT</b>	<b>573</b>	<b>1,227</b>	<b>(53.3)</b>	<b>1,389</b>	<b>4,383</b>	<b>5,024</b>	<b>(12.8)</b>
Tax	120	409	(70.5)	352	1,262	1,717	(26.5)
<i>Tax rate %</i>	21.0	33.3	(12.3)	25.4	28.8	34.2	(5.4)
<b>Adjusted PAT</b>	<b>452</b>	<b>819</b>	<b>(44.8)</b>	<b>1,037</b>	<b>3,122</b>	<b>3,307</b>	<b>(5.6)</b>

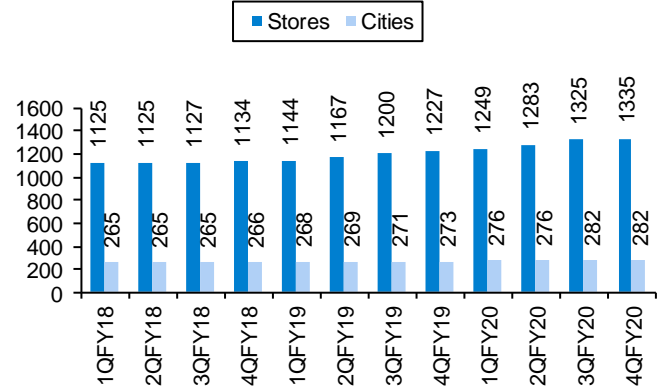
Source: Company PL

**Exhibit 2: 2 small format stores added in Dunkin Donuts**



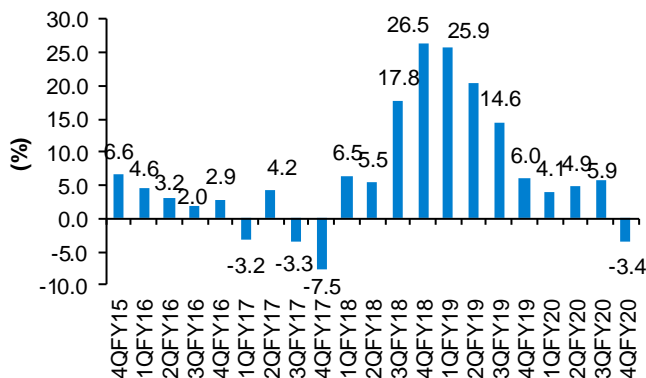
Source: Company, PL

**Exhibit 3: Dominos: Added net 10 stores during 4Q**



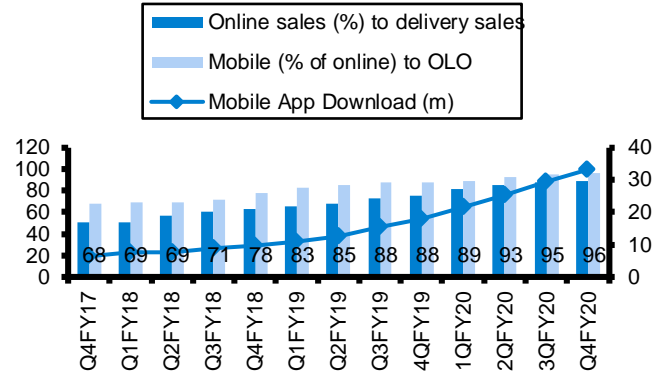
Source: Company, PL

**Exhibit 4: SSG at -3.4%; LTL growth at -2.3%**



Source: Company, PL

**Exhibit 5: OLO contribution increased to 96.1%**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
<b>Net Revenues</b>	<b>35,307</b>	<b>38,858</b>	<b>34,121</b>	<b>44,016</b>
YoY gr. (%)	18.5	10.1	(12.2)	29.0
Cost of Goods Sold	8,759	9,707	8,188	10,655
Gross Profit	26,548	29,151	25,933	33,361
Margin (%)	75.2	75.0	76.0	75.8
Employee Cost	6,725	7,846	7,156	8,281
Other Expenses	8,045	12,534	5,142	6,580
<b>EBITDA</b>	<b>6,078</b>	<b>8,771</b>	<b>8,524</b>	<b>11,774</b>
YoY gr. (%)	36.2	44.3	(2.8)	38.1
Margin (%)	17.2	22.6	25.0	26.7
Depreciation and Amortization	1,523	3,441	3,719	4,432
<b>EBIT</b>	<b>4,555</b>	<b>5,329</b>	<b>4,805</b>	<b>7,341</b>
Margin (%)	12.9	13.7	14.1	16.7
Net Interest	-	1,635	1,570	1,838
Other Income	469	688	285	284
<b>Profit Before Tax</b>	<b>4,945</b>	<b>3,935</b>	<b>3,519</b>	<b>5,786</b>
Margin (%)	14.0	10.1	10.3	13.1
Total Tax	1,717	1,181	921	1,514
Effective tax rate (%)	34.7	30.0	26.2	26.2
<b>Profit after tax</b>	<b>3,228</b>	<b>2,755</b>	<b>2,598</b>	<b>4,272</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>3,307</b>	<b>3,203</b>	<b>2,598</b>	<b>4,272</b>
YoY gr. (%)	60.2	(3.2)	(18.9)	64.4
Margin (%)	9.4	8.2	7.6	9.7
Extra Ord. Income / (Exp)	(79)	(448)	-	-
<b>Reported PAT</b>	<b>3,228</b>	<b>2,755</b>	<b>2,598</b>	<b>4,272</b>
YoY gr. (%)	56.4	(14.7)	(5.7)	64.4
Margin (%)	9.1	7.1	7.6	9.7
Other Comprehensive Income	(50)	(28)	-	-
Total Comprehensive Income	3,178	2,726	2,598	4,272
<b>Equity Shares O/s (m)</b>	<b>132</b>	<b>132</b>	<b>132</b>	<b>132</b>
<b>EPS (Rs)</b>	<b>25.1</b>	<b>24.3</b>	<b>19.7</b>	<b>32.4</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>16,089</b>	<b>18,630</b>	<b>21,526</b>	<b>25,189</b>
Tangibles	15,130	17,551	20,322	23,812
Intangibles	959	1,079	1,204	1,377
<b>Acc: Dep / Amortization</b>	<b>8,234</b>	<b>10,063</b>	<b>12,156</b>	<b>14,604</b>
Tangibles	7,640	9,338	11,268	13,531
Intangibles	594	725	888	1,074
<b>Net fixed assets</b>	<b>7,854</b>	<b>8,567</b>	<b>9,370</b>	<b>10,585</b>
Tangibles	7,489	8,213	9,054	10,282
Intangibles	365	353	316	303
Capital Work In Progress	149	394	200	200
Goodwill	-	-	-	-
Non-Current Investments	1,838	1,888	2,064	2,290
Net Deferred tax assets	(492)	810	(35)	(93)
Other Non-Current Assets	1,232	14,150	1,634	1,752
<b>Current Assets</b>				
Investments	1,808	512	768	1,151
Inventories	731	922	708	935
Trade receivables	327	193	299	386
Cash & Bank Balance	4,891	6,165	7,430	9,603
Other Current Assets	257	369	341	440
<b>Total Assets</b>	<b>19,138</b>	<b>33,989</b>	<b>22,833</b>	<b>27,362</b>
<b>Equity</b>				
Equity Share Capital	1,320	1,320	1,320	1,320
Other Equity	11,917	10,510	16,286	19,766
<b>Total Network</b>	<b>13,237</b>	<b>11,829</b>	<b>17,605</b>	<b>21,085</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	15,076	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	4,205	4,485	3,818	4,580
Other current liabilities	1,198	2,594	1,369	1,599
<b>Total Equity &amp; Liabilities</b>	<b>19,138</b>	<b>33,989</b>	<b>22,833</b>	<b>27,362</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	5,024	4,384	3,519	5,786
Add. Depreciation	1,523	3,441	3,719	4,432
Add. Interest	-	1,635	1,570	1,838
Less Financial Other Income	469	688	285	284
Add. Other	(501)	13,901	(14,914)	(143)
Op. profit before WC changes	6,045	23,361	(6,106)	11,914
Net Changes-WC	1,272	2,833	(2,011)	194
Direct tax	(1,717)	(1,262)	(921)	(1,514)
<b>Net cash from Op. activities</b>	<b>5,601</b>	<b>24,932</b>	<b>(9,038)</b>	<b>10,594</b>
Capital expenditures	(1,785)	(17,493)	8,695	(5,792)
Interest / Dividend Income	-	-	-	-
Others	169	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(1,616)</b>	<b>(17,493)</b>	<b>8,695</b>	<b>(5,792)</b>
Issue of share cap. / premium	18	(4,132)	4,132	-
Debt changes	-	-	-	-
Dividend paid	(398)	(398)	(955)	(792)
Interest paid	-	(1,635)	(1,570)	(1,838)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(380)</b>	<b>(6,165)</b>	<b>1,608</b>	<b>(2,630)</b>
<b>Net change in cash</b>	<b>3,605</b>	<b>1,275</b>	<b>1,265</b>	<b>2,173</b>
Free Cash Flow	3,816	7,439	(343)	4,803

Source: Company Data, PL Research

**Key Financial Metrics**

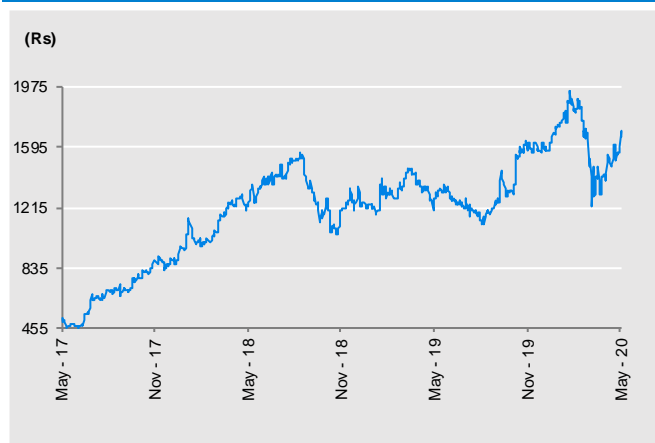
Y/e Mar	FY19	FY20	FY21E	FY22E
<b>Per Share(Rs)</b>				
EPS	25.1	24.3	19.7	32.4
CEPS	36.6	50.3	47.9	66.0
BVPS	100.3	89.6	133.4	159.8
FCF	28.9	56.4	(2.6)	36.4
DPS	2.5	6.0	6.0	10.0
<b>Return Ratio(%)</b>				
RoCE	38.5	42.5	32.6	37.9
ROIC	36.6	19.5	32.8	44.2
RoE	27.9	25.6	17.7	22.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.6)	(0.5)	(0.5)
Net Working Capital (Days)	(33)	(32)	(30)	(27)
<b>Valuation(x)</b>				
PER	61.0	63.0	77.7	47.3
P/B	15.3	17.1	11.5	9.6
P/CEPS	41.8	30.4	32.0	23.2
EV/EBITDA	32.1	22.3	22.7	16.2
EV/Sales	5.5	5.0	5.7	4.3
Dividend Yield (%)	0.2	0.4	0.4	0.7

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
<b>Net Revenue</b>	<b>9,401</b>	<b>9,882</b>	<b>10,596</b>	<b>8,979</b>
YoY gr. (%)	9.9	12.1	14.1	3.8
Raw Material Expenses	2,307	2,444	2,659	2,296
Gross Profit	7,093	7,439	7,937	6,682
Margin (%)	75.5	75.3	74.9	74.4
<b>EBITDA</b>	<b>2,191</b>	<b>2,350</b>	<b>2,536</b>	<b>1,695</b>
YoY gr. (%)	54.2	59.3	48.7	14.8
Margin (%)	23.3	23.8	23.9	18.9
Depreciation / Depletion	808	838	880	916
<b>EBIT</b>	<b>1,383</b>	<b>1,512</b>	<b>1,656</b>	<b>778</b>
Margin (%)	14.7	15.3	15.6	8.7
Net Interest	395	404	426	410
Other Income	153	172	159	204
<b>Profit before Tax</b>	<b>1,141</b>	<b>1,281</b>	<b>1,389</b>	<b>573</b>
Margin (%)	12.1	13.0	13.1	6.4
Total Tax	393	396	352	120
Effective tax rate (%)	34.4	30.9	25.4	21.0
<b>Profit after Tax</b>	<b>748</b>	<b>884</b>	<b>1,037</b>	<b>452</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>748</b>	<b>884</b>	<b>1,037</b>	<b>452</b>
YoY gr. (%)	0.1	13.9	7.5	(44.8)
Margin (%)	8.0	9.0	9.8	5.0
Extra Ord. Income / (Exp)	-	125	-	(323)
<b>Reported PAT</b>	<b>748</b>	<b>1,010</b>	<b>1,037</b>	<b>129</b>
YoY gr. (%)	0.1	30.0	7.5	(85.6)
Margin (%)	8.0	10.2	9.8	1.4
Other Comprehensive Income	(5)	(5)	(13)	(5)
<b>Total Comprehensive Income</b>	<b>743</b>	<b>1,005</b>	<b>1,024</b>	<b>125</b>
Avg. Shares O/s (m)	12	12	12	12
<b>EPS (Rs)</b>	<b>62.3</b>	<b>73.7</b>	<b>86.4</b>	<b>37.7</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-20	Accumulate	1,490	1,423
2	29-Jan-20	BUY	1,913	1,749
3	03-Jan-20	BUY	1,753	1,683
4	22-Oct-19	BUY	1,753	1,435
5	03-Oct-19	BUY	1,688	1,323
6	24-Jul-19	BUY	1,459	1,153
7	04-Jul-19	BUY	1,541	1,259

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	1,687	1,651
2	Avenue Supermarts	Reduce	1,875	2,393
3	Britannia Industries	BUY	3,744	2,837
4	Colgate Palmolive	Reduce	1,206	1,388
5	Crompton Greaves Consumer Electricals	BUY	267	199
6	Dabur India	Hold	431	503
7	Emami	Hold	285	227
8	Future Retail	Under Review	-	332
9	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
10	Havells India	Reduce	485	511
11	Hindustan Unilever	Hold	2,017	2,195
12	ITC	BUY	250	189
13	Jubilant FoodWorks	Accumulate	1,490	1,423
14	Kansai Nerolac Paints	BUY	486	360
15	Marico	Hold	318	284
16	Nestle India	Reduce	13,127	17,462
17	Pidilite Industries	Hold	1,327	1,349
18	Titan Company	Hold	844	892
19	Voltas	Accumulate	553	509

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



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