

# Jubilant FoodWorks

## More legs for growth; reflecting confidence on core

Jubilant FoodWorks (JFL) announced the acquisition of Fides Food Systems Coöperatief U.A., Netherlands (Fides) for GBP 24.8mn (INR 2.5bn). Fides is the beneficial owner of 32.81% of equity shares of DP Eurasia N.V. (DP Eurasia). DP Eurasia is the exclusive master franchisee of the Domino's Pizza brand, having 771 stores in Turkey, Russia, Azerbaijan and Georgia. It is listed with London Stock Exchange PLC. DP Eurasia has weak financials (due to operational losses in ex-Turkey, financial leverage and currency impact) resulting in a crack in its stock price over the past 3 years (GBX 250 in 2018 to GBX 70 now). The deal is valued at 8x EV/EBITDA of CY19.

Although this deal seems to be financially neutral in the medium term, it offers more strategic rationale for JFL. The most interesting aspects of this deal are (1) attractive valuation, (2) potential to revive loss making business, (3) JFL's expertise in running Domino's vs. P/E player, (4) stronger global footprint (control of >2,000 Domino's stores, second highest to Domino's Australia), and (5) synergy in terms of technology, sourcing, etc. JFL management is consistently seeking an 'out of the box' approach to add growth levers. The company has already added more legs of growth in the existing business in terms of Hong's, Domino's Bangladesh, and Ekdum!, and is ambitious for a faster store opening for Domino's. Considering its strong FCFs, reinvestment spree was always on cards, which is why the stock has seen this rerating. Capital allocation is a more critical aspect as we have noticed that many companies have de-rated after wrongly allocating capital. Considering DP Eurasia will continue with the existing management, it would not consume JFL's management bandwidth for operations. We continue to believe that most near to medium term drivers are priced in. However, on account of expected aggressive store expansion in India, we increase our EPS by 3% for FY22/23. The stock is valued at 81 and 65 P/E on FY22/FY23 EPS. We increase our target multiple to 55x P/E (50x earlier) and derive TP of Rs 2,500. We maintain our REDUCE rating. JFL is a far superior company among QSR peers but we see earnings surprises more for other discretionary companies (driven by pent-up, market share gain, pricing, sourcing advantage, make in India etc).

- **Robust Turkey with market leadership:** Turkey contributes 74/68/>100% in DP Eurasia's stores/revenue/EBIT. It clocked robust 17% group system sales during CY16-20 with 4% store CAGR. Company is number 1 player in Turkey with a huge gap from the number 2 player. Russia has 25/30% mix in stores/revenue of DP Eurasia. Turning around Russia will be a challenge for JFL as local brand Dodo Pizza is giving stiff competition. DP Eurasia is the number 3 player in Russia after Dodo and Papa Johns. Apart from SSSG, JFL would also require to plug the gaps to improve unit economics of Russia.
- **Strengthening global footprint:** With the addition of DP Eurasia, JFL's total control Domino's stores will be >2,000 which will be the second largest after Domino's Australia. JFL already has plans to open stores aggressively in India, also DP Eurasia has potential to add many stores. JFL will continue to add its global presence in Domino's network.
- **Need to improve cash flows:** DP Eurasia has debt of around INR 250mn (2x Net Debt/Equity); JFL would be needed to focus on operational cash flows to pay off this debt. It will need to focus on all fronts to improve unit economics and operating cash flow. Cumulative FCFs during CY16-19 is negligible at around INR 13mn.

## REDUCE

CMP (as on 19 Feb 2021)	Rs 2,951
Target Price	Rs 2,500
NIFTY	14,982

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 2,204	Rs 2,500
EPS %	FY22E -2%	FY23E +3%

### KEY STOCK DATA

Bloomberg code	JUBI IN
No. of Shares (mn)	132
MCap (Rs bn) / (\$ mn)	389/5,357
6m avg traded value (Rs mn)	2,711
52 Week high / low	Rs 3,005/1,138

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	17.6	52.0	55.5
Relative (%)	0.7	20.0	32.2

### SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	41.94	41.94
FIs & Local MFs	14.45	12.75
FPIs	37.86	39.43
Public & Others	5.75	5.88
Pledged Shares	1.14	0.91

Source : BSE

Pledged shares as % of total shares

### Naveen Trivedi

naveen.trivedi@hdfcsec.com  
+91-22-6171-7324

### Varun Lohchab

varun.lohchab@hdfcsec.com  
+91-22-6171-7334

### Aditya Sane

aditya.sane@hdfcsec.com  
+91-22-6171-7336

**DP Eurasia – System Sales Breakup (Turkey sustaining strong growth, Russia impacted most by COVID)**

	2016	2017	2018	2019	2020
<b>Group System Sales (mn Lira)</b>					
Turkey	566	646	736	846	1,069
Russia	76	205	374	503	472
Azerbaijan & Georgia	6	9	16	21	29
<b>Total</b>	<b>647</b>	<b>860</b>	<b>1,125</b>	<b>1,370</b>	<b>1,570</b>
<b>YoY Growth (%)</b>					
Turkey		14%	14%	15%	26%
Russia		169%	82%	35%	-6%
Azerbaijan & Georgia		58%	80%	35%	38%
<b>Total</b>		<b>33%</b>	<b>31%</b>	<b>22%</b>	<b>15%</b>
<b>LFL Growth</b>					
Turkey	7%	10%	9%	13%	26%
Russia	42%	29%	16%	1%	-13%
<b>Total</b>	<b>9%</b>	<b>13%</b>	<b>10%</b>	<b>11%</b>	<b>17%</b>
<b>Revenue Mix (%)</b>					
Turkey	87%	75%	65%	62%	68%
Russia	12%	24%	33%	37%	30%
<b>Total</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>2%</b>	<b>2%</b>

Source: DP Eurasia, HSIE Research

**DP Eurasia – Store Mix (Largely franchise based model with >70% store mix)**

	Store Count (No.)					Store Mix (%)				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
<b>Turkey</b>										
Corporate	144	142	137	123	106	30%	28%	26%	22%	19%
Franchised	344	372	398	427	462	70%	72%	74%	78%	81%
<b>Total</b>	<b>488</b>	<b>514</b>	<b>535</b>	<b>550</b>	<b>568</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Russia</b>										
Corporate	68	99	101	121	115	94%	82%	56%	60%	61%
Franchised	4	22	78	82	75	6%	18%	44%	40%	39%
<b>Total</b>	<b>72</b>	<b>121</b>	<b>179</b>	<b>203</b>	<b>190</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Azerbaijan</b>										
Corporate	0	0	0	0	0	0%	0%	0%	0%	0%
Franchised	4	5	6	8	9	100%	100%	100%	100%	100%
<b>Total</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Georgia</b>										
Corporate	0	0	0	0	0	0%	0%	0%	0%	0%
Franchised	3	3	4	4	4	100%	100%	100%	100%	100%
<b>Total</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>DP Eurasia</b>										
Corporate	212	241	238	244	221	37%	37%	33%	32%	29%
Franchised	355	402	486	521	550	63%	63%	67%	68%	71%
<b>Total</b>	<b>567</b>	<b>643</b>	<b>724</b>	<b>765</b>	<b>771</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**DP Eurasia - Store Network and Track record (Turkey contributes bulk of the store network)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Stores</b>														
Turkey	80	103	130	160	210	299	370	430	462	488	514	535	550	568
Russia	0	0	0	0	0	0	13	19	43	72	121	179	203	190
Azerbaijan	0	0	0	0	0	0	0	1	2	4	5	6	8	9
Georgia	0	0	0	0	0	0	0	1	2	3	3	4	4	4
<b>Total</b>	<b>80</b>	<b>103</b>	<b>130</b>	<b>160</b>	<b>210</b>	<b>299</b>	<b>383</b>	<b>451</b>	<b>509</b>	<b>567</b>	<b>643</b>	<b>724</b>	<b>765</b>	<b>771</b>
<b>Store Mix (%)</b>														
Turkey	100%	100%	100%	100%	100%	100%	97%	95%	91%	86%	80%	74%	72%	74%
Russia	0%	0%	0%	0%	0%	0%	3%	4%	8%	13%	19%	25%	27%	25%
Azerbaijan	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%	1%	1%
Georgia	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	1%	1%	1%
<b>Total</b>	<b>100%</b>													

**DP Eurasia – Revenue Breakup**

	Net Revenues (mn TRY)				Revenue mix (%)			
	2016	2017	2018	2019	2016	2017	2018	2019
<b>Turkey</b>								
Corporate revenue	175	183	204	211	47%	44%	42%	38%
Franchise revenue and royalty	181	218	257	315	49%	52%	53%	56%
Other revenue	17	19	23	34	5%	4%	5%	6%
<b>Total revenue</b>	<b>373</b>	<b>421</b>	<b>485</b>	<b>559</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Russia</b>								
Corporate revenue	75	187	278	284	97%	91%	75%	67%
Franchise revenue and royalty	3	8	44	91	3%	4%	12%	22%
Other revenue	-	10	50	46	0%	5%	14%	11%
<b>Total revenue</b>	<b>78</b>	<b>206</b>	<b>372</b>	<b>421</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>DP Euraisa</b>								
Corporate revenue	250	371	482	494	55%	59%	56%	50%
Franchise revenue and royalty	184	227	301	406	41%	36%	35%	41%
Other revenue	17	29	74	80	4%	5%	9%	8%
<b>Total revenue</b>	<b>451</b>	<b>626</b>	<b>857</b>	<b>980</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**DP Eurasia – Delivery and Takeaway Mix**

Revenue Mix	2016	2017	2018	2019	2020
<b>Turkey</b>					
Delivery	63%	63%	63%	64%	73%
Takeaway/Eat in	37%	37%	37%	36%	28%
<b>Russia</b>					
Delivery	62%	60%	60%	62%	78%
Takeaway/Eat in	38%	40%	40%	38%	22%
<b>DP Eurasia</b>					
Delivery	63%	62%	62%	63%	74%
Takeaway/Eat in	37%	38%	38%	37%	26%

### DP Eurasia – Delivery Channel Mix

Particulars	2016	2017	2018	2019	2020
<b>Turkey</b>					
Store	53%	48%	42%	32%	29%
Total Online	41%	48%	54%	64%	70%
Online (Group)	21%	25%	30%	29%	26%
Online (Aggregator)	20%	23%	24%	36%	44%
Call Centre	6%	4%	3%	4%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Russia</b>					
Store	48%	33%	24%	18%	10%
Total Online	53%	67%	76%	82%	90%
Online (Group)	53%	67%	76%	81%	71%
Online (Aggregator)	0%	0%	0%	2%	18%
Call Centre	0%	0%	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>DP Eurasia</b>					
Store	52%	45%	37%	28%	24%
Total Online	42%	52%	61%	70%	75%
Online (Group)	25%	35%	45%	47%	40%
Online (Aggregator)	18%	17%	16%	23%	35%
Call Centre	5%	3%	2%	2%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### DP Eurasia – P&L

(mn TRY)	2016	2017	2018	2019
<b>Revenue</b>	451	626	857	980
Revenue/Store	0.8	1.0	1.2	1.3
Growth (%)		39%	37%	14%
<b>Revenue Mix (mn TRY)</b>				
Turkey	373	421	485	559
Russia	78	206	372	421
<b>Revenue Mix (%)</b>				
Turkey	83%	67%	57%	57%
Russia	17%	33%	43%	43%
<b>Gross Profit/Contribution</b>	<b>172</b>	<b>228</b>	<b>291</b>	<b>344</b>
Gross/Contribution margin	38%	36%	34%	35%
Change (bps)	-	(167)	(244)	115
<b>EBIT</b>	<b>42</b>	<b>33</b>	<b>53</b>	<b>71</b>
Growth (%)	0%	-22%	62%	33%
EBIT margin	9%	5%	6%	7%
Change (bps)	-	(404)	98	103
<b>EBIT Mix (mn TRY)</b>				
Turkey	44	52	67	83
Russia	(2)	(4)	(3)	0
Others	-	(15)	(10)	(12)
<b>Total</b>	<b>42</b>	<b>33</b>	<b>53</b>	<b>71</b>
<b>EBIT Margin (%)</b>				
Turkey	12%	12%	14%	15%
Russia	-3%	-2%	-1%	0%
<b>Total</b>	<b>9%</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>
Forex income/loss	12	(12)	(19)	5
Interest income	1	1	6	16
Interest expense	17	22	44	85
<b>PBT</b>	<b>38</b>	<b>1</b>	<b>(4)</b>	<b>7</b>
Growth (%)		-98%	-628%	-273%
Tax	9	1	7	12
<b>PAT</b>	<b>29</b>	<b>0</b>	<b>(11)</b>	<b>(6)</b>

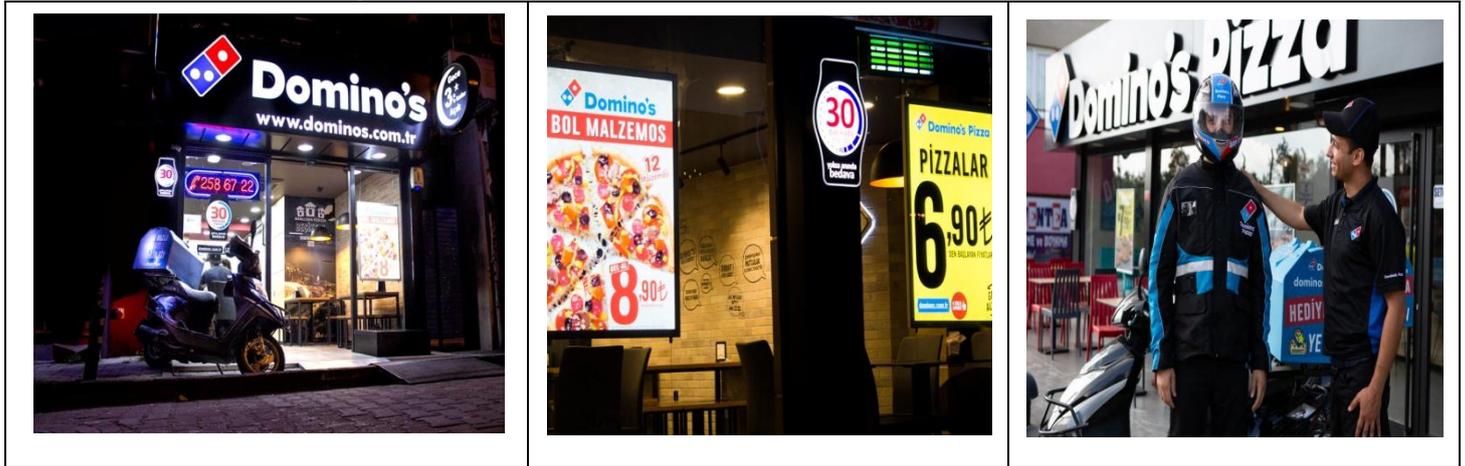
### DP Eurasia – Balance Sheet

Balance Sheet (mn TRY)	2016	2017	2018	2019
<b>Assets</b>				
Property and equipment	98	128	136	160
Intangible assets	34	40	49	81
Goodwill	44	44	45	47
Other non-current assets	38	57	58	297
Cash and cash equivalents	20	76	28	71
Total Current Assets	120	150	193	266
<b>Total Assets</b>	<b>353</b>	<b>496</b>	<b>510</b>	<b>923</b>
<b>Liabilities</b>				
Total equity	47	137	138	110
Debt	200	228	198	318
Lease liabilities	-	-	17	256
Other non-current liabilities				39
Current liabilities	87	105	125	199
<b>Total Liabilities</b>	<b>333</b>	<b>470</b>	<b>479</b>	<b>923</b>

### DP Eurasia – Cash Flow

Cash Flow (mn TRY)	2016	2017	2018	2019
Cash flows from operating activities	2	49	69	176
FCF	(36)	(19)	(4)	73
Cash flows used in investing activities	(35)	(62)	(47)	(88)
Cash flows (used in)/generated from financing activities	40	65	(88)	(42)
Effect of currency translation differences	0	4	18	(4)
Net increase in cash and cash equivalents	6	57	(48)	42

DP Eurasia – Stores in Turkey



DP Eurasia – Stores in Russia

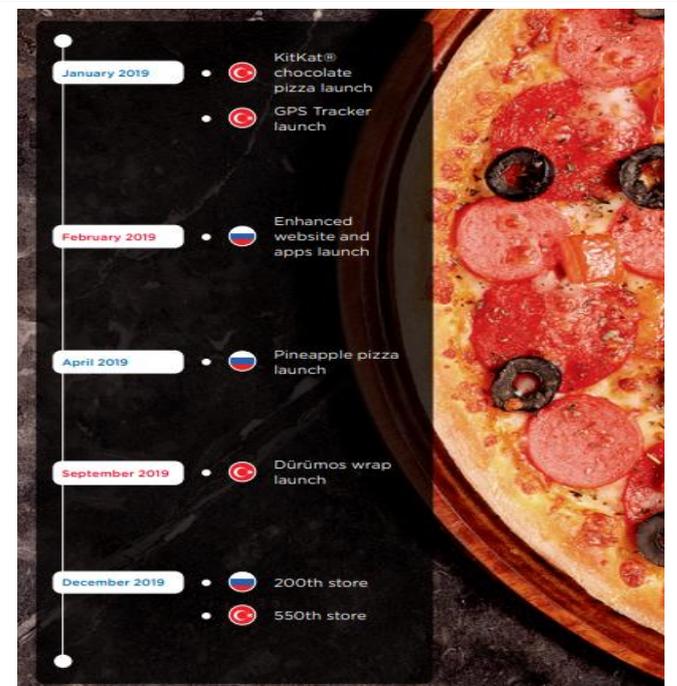


Several differentiated products than Domino's India



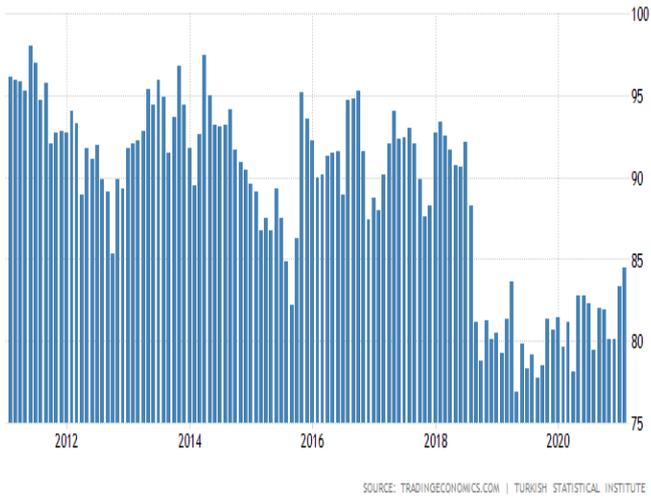
Source: DP Eurasia, HSIE Research

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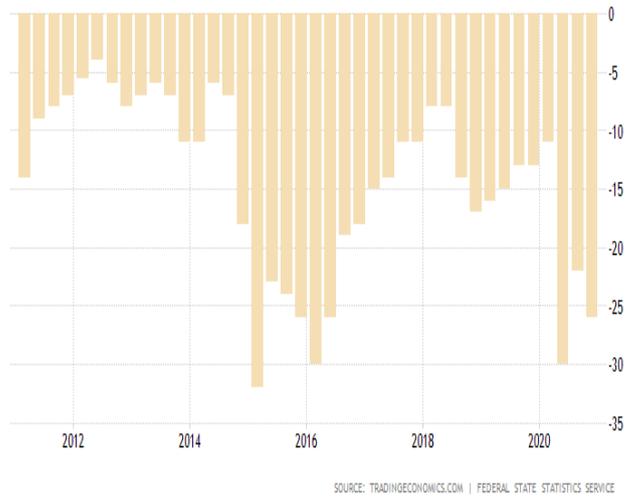
Source: DP Eurasia, HSIE Research

Turkey - Consumer Confidence Index



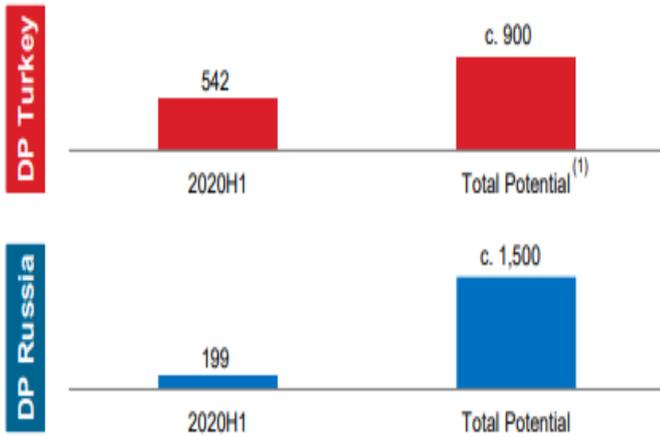
Source: tradingeconomics.com, HSIE Research

Russia - Consumer Confidence Index



Source: tradingeconomics.com, HSIE Research

DP Eurasia – Store expansion potential



Source: DP Eurasia, HSIE Research

DP Eurasia – Stock cracked in the last 3 years



Source: DP Eurasia, HSIE Research

## JFL Financials

### P&L

Year End (March) - Rs mn	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>24,380</b>	<b>25,834</b>	<b>30,184</b>	<b>35,631</b>	<b>39,273</b>	<b>33,397</b>	<b>45,808</b>	<b>52,715</b>
Growth (%)	16.5%	6.0%	16.8%	18.0%	10.2%	-15.0%	37.2%	15.1%
Material Expenses	5,801	6,308	7,660	8,861	9,835	7,151	9,902	11,580
Employee Expense	5,765	5,948	6,140	6,818	7,964	7,545	9,950	11,141
A&P Expense	1,253	1,437	1,428	1,709	2,469	1,416	2,537	3,025
Rent	2,539	2,986	3,157	3,411	829	870	1,027	1,179
Other Expenses	6,385	6,744	7,399	8,835	9,419	8,616	11,275	12,799
<b>EBITDA</b>	<b>2,637</b>	<b>2,411</b>	<b>4,401</b>	<b>5,998</b>	<b>8,756</b>	<b>7,798</b>	<b>11,118</b>	<b>12,989</b>
EBITDA Growth (%)	3.4%	-8.6%	82.5%	36.3%	46.0%	-10.9%	42.6%	16.8%
EBITDA Margin (%)	10.8%	9.3%	14.6%	16.8%	22.3%	23.4%	24.3%	24.6%
Adj EBITDA	2,637	2,411	4,401	5,998	5,755	4,842	7,961	9,433
Adj. EBITDA Growth (%)	3.4%	-8.6%	82.5%	36.3%	-4.0%	-15.9%	64.4%	18.5%
Adj. EBITDA Margin (%)	10.8%	9.3%	14.6%	16.8%	14.7%	14.5%	17.4%	17.9%
Depreciation	1,282	1,554	1,601	1,575	3,523	3,748	3,952	4,402
<b>EBIT</b>	<b>1,354</b>	<b>857</b>	<b>2,800</b>	<b>4,423</b>	<b>5,233</b>	<b>4,050</b>	<b>7,165</b>	<b>8,587</b>
Other Income	116	147	231	474	696	707	638	936
Interest	-	-	-	-	1,652	1,654	1,786	1,964
<b>PBT</b>	<b>1,470</b>	<b>1,004</b>	<b>3,031</b>	<b>4,897</b>	<b>4,277</b>	<b>3,103</b>	<b>6,017</b>	<b>7,559</b>
Total Tax	501	305	1,068	1,717	1,240	781	1,515	1,903
<b>Adjusted PAT</b>	<b>969</b>	<b>663</b>	<b>1,918</b>	<b>3,180</b>	<b>3,537</b>	<b>2,612</b>	<b>4,831</b>	<b>5,984</b>
APAT Growth (%)	-12.8%	-31.6%	189.3%	65.8%	11.2%	-26.2%	85.0%	23.9%
Adjusted EPS (Rs)	7.4	5.0	14.5	24.1	26.8	19.8	36.6	45.3
EPS Growth (%)	-13.1%	-31.7%	189.2%	65.8%	11.2%	-26.2%	85.0%	23.9%

### Balance Sheet

Year End (March) - Rs mn	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>SOURCES OF FUNDS</b>								
Share Capital - Equity	658	659	660	1,320	1,320	1,320	1,320	1,320
Reserves	6,962	7,394	9,017	11,277	9,901	11,859	15,122	19,261
<b>Total Shareholders Funds</b>	<b>7,620</b>	<b>8,053</b>	<b>9,677</b>	<b>12,596</b>	<b>11,220</b>	<b>13,179</b>	<b>16,441</b>	<b>20,581</b>
Minority Interest	-	-	-	26	107	118	129	142
Long Term Debt	-	-	-	-	-	-	-	-
Short Term Debt	-	-	-	-	-	-	-	-
<b>Total Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Deferred Taxes	729	693	550	500	(751)	(751)	(751)	(751)
Other Non-current Liabilities & Provns	1	4	5	5	16,706	14,726	14,651	13,984
<b>TOTAL SOURCES OF FUNDS</b>	<b>8,351</b>	<b>8,750</b>	<b>10,232</b>	<b>13,127</b>	<b>27,281</b>	<b>27,271</b>	<b>30,470</b>	<b>33,955</b>
<b>APPLICATION OF FUNDS</b>								
Net Block	8,013	7,550	7,527	7,711	8,196	8,325	8,683	9,112
CWIP	183	608	124	152	407	407	407	407
Other Non Current Assets	1,422	1,904	1,881	2,189	15,368	13,533	14,017	13,788
Intangible Assets	349	451	383	388	386	386	386	386
Non-Current Investments	-	-	-	-	-	3,425	3,425	3,425
<b>Total Non-current Assets</b>	<b>9,967</b>	<b>10,513</b>	<b>9,915</b>	<b>10,441</b>	<b>24,356</b>	<b>26,076</b>	<b>26,917</b>	<b>27,117</b>
Inventories	552	607	642	771	947	805	1,105	1,271
Debtors	125	161	157	274	166	142	194	223
Other Current Assets	337	336	333	321	407	365	454	503
Cash & Equivalents	1,239	1,290	3,921	6,751	7,071	5,284	8,827	12,825
<b>Total Current Assets</b>	<b>2,253</b>	<b>2,394</b>	<b>5,053</b>	<b>8,117</b>	<b>8,591</b>	<b>6,596</b>	<b>10,580</b>	<b>14,822</b>
Creditors	2,960	3,142	3,890	4,209	4,470	4,117	5,648	6,499
Other Current Liabilities & Provns	910	1,014	845	1,222	1,196	1,283	1,379	1,485
<b>Total Current Liabilities</b>	<b>3,869</b>	<b>4,157</b>	<b>4,735</b>	<b>5,430</b>	<b>5,666</b>	<b>5,401</b>	<b>7,027</b>	<b>7,984</b>
<b>Net Current Assets</b>	<b>(1,616)</b>	<b>(1,763)</b>	<b>318</b>	<b>2,686</b>	<b>2,925</b>	<b>1,195</b>	<b>3,553</b>	<b>6,838</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>8,351</b>	<b>8,750</b>	<b>10,232</b>	<b>13,127</b>	<b>27,281</b>	<b>27,271</b>	<b>30,470</b>	<b>33,955</b>

Source: Company, HSIE Research

## Cash Flow

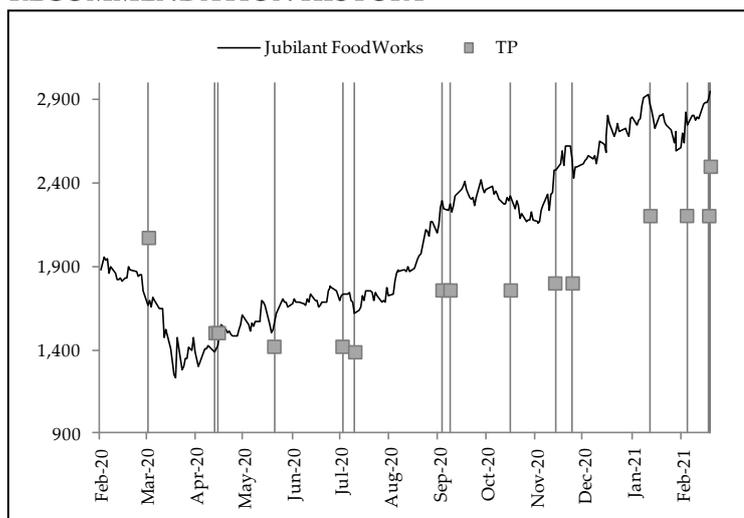
(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	1,470	883	3,031	4,897	4,028	3,103	6,017	7,559
Non-operating & EO Items	170	49	(25)	(107)	13	-	-	-
Interest Expenses (Net)	(112)	(141)	(166)	(314)	1,198	947	1,148	1,028
Depreciation	1,282	1,554	1,601	1,575	3,523	3,748	3,952	4,402
Working Capital Change	(308)	57	912	(36)	(82)	(57)	1,186	712
Tax Paid	(386)	(366)	(1,262)	(1,779)	(1,402)	(781)	(1,515)	(1,903)
<b>OPERATING CASH FLOW ( a )</b>	<b>2,117</b>	<b>2,036</b>	<b>4,091</b>	<b>4,235</b>	<b>7,278</b>	<b>6,960</b>	<b>10,789</b>	<b>11,799</b>
Capex	(2,264)	(1,996)	(1,160)	(1,657)	(2,830)	(2,200)	(2,500)	(2,800)
Free Cash Flow (FCF)	(147)	40	2,931	2,578	4,448	4,760	8,289	8,999
Investments	208	26	(2,258)	(3,134)	1,502	(3,368)	(743)	(502)
Non-operating Income	59	86	99	216	342	654	638	936
<b>INVESTING CASH FLOW ( b )</b>	<b>(1,997)</b>	<b>(1,883)</b>	<b>(3,319)</b>	<b>(4,575)</b>	<b>(987)</b>	<b>(4,913)</b>	<b>(2,606)</b>	<b>(2,366)</b>
Debt Issuance/(Repaid)								
Interest Expenses	-	-	-	-	(1,652)	(1,654)	(1,786)	(1,964)
FCFE	(147)	40	2,931	2,578	2,795	3,107	6,503	7,035
Share Capital Issuance	21	50	(150)	230	108	-	-	-
Dividend	(197)	(198)	(198)	(397)	(1,747)	(1,056)	(1,584)	(1,980)
Others	-	-	-	-	(1,323)	(1,377)	(1,470)	(1,692)
<b>FINANCING CASH FLOW ( c )</b>	<b>(177)</b>	<b>(148)</b>	<b>(347)</b>	<b>(167)</b>	<b>(4,614)</b>	<b>(4,086)</b>	<b>(4,839)</b>	<b>(5,635)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(57)</b>	<b>5</b>	<b>424</b>	<b>(507)</b>	<b>1,677</b>	<b>(2,039)</b>	<b>3,343</b>	<b>3,797</b>
EO Items, Others	0	(18)	(512)	(4,159)	60	-	-	-
Closing Cash & Equivalents	332	354	1,290	4,943	6,559	4,572	7,915	11,713

## Ratios

Particulars	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>PROFITABILITY (%)</b>								
GPM	76.2	75.6	74.6	75.1	75.0	78.6	78.4	78.0
EBITDA Margin	10.8	9.3	14.6	16.8	22.3	23.4	24.3	24.6
EBIT Margin	0.1	3.3	9.3	12.4	13.3	12.1	15.6	16.3
APAT Margin	0.0	2.6	6.4	8.9	9.0	7.8	10.5	11.4
RoE	13.8	8.5	21.6	28.6	29.7	21.4	32.6	32.3
RoIC (or Core RoCE)	14.0	8.6	26.9	46.1	38.1	20.3	30.8	37.2
RoCE	12.5	7.8	20.2	27.2	23.3	14.1	21.4	23.1
<b>EFFICIENCY</b>								
Tax Rate (%)	34.1	30.4	35.3	35.1	29.0	25.2	25.2	25.2
Fixed Asset Turnover (x)	3.0	3.2	3.9	4.5	4.6	3.8	5.0	5.5
Inventory (days)	8.3	8.6	7.8	7.9	8.8	8.8	8.8	8.8
Debtors (days)	1.9	2.3	1.9	2.8	1.5	1.5	1.5	1.5
Other Current Assets (days)	5.1	4.7	4.0	3.3	3.8	4.0	3.6	3.5
Payables (days)	44.3	44.4	47.0	43.1	41.5	45.0	45.0	45.0
Other Current Liab & Provsns (days)	13.6	14.3	10.2	12.5	11.1	14.0	11.0	10.3
Cash Conversion Cycle (days)	(42.8)	(43.1)	(43.6)	(41.6)	(38.5)	(44.7)	(42.0)	(41.4)
<b>PER SHARE DATA (Rs)</b>								
EPS	7.4	5.0	14.5	24.1	26.8	19.8	36.6	45.3
CEPS	17.1	16.8	26.7	36.0	53.5	48.2	66.6	78.7
Dividend	1.5	1.5	3.0	5.0	6.0	8.0	12.0	15.0
Book Value	57.9	61.1	73.3	95.4	85.0	99.9	124.6	156.0
<b>VALUATION</b>								
P/E (x)	400.8	587.1	203.0	122.5	110.1	149.1	80.6	65.1
P/BV (x)	51.0	48.3	40.2	30.9	34.7	29.6	23.7	18.9
EV/EBITDA (x)	146.8	160.9	87.6	63.8	66.4	79.3	47.8	39.9
EV/Revenues (x)	15.9	15.0	12.8	10.7	9.7	11.5	8.3	7.1
OCF/EV (%)	0.5	0.5	1.1	1.1	1.9	1.8	2.8	3.1
FCF/EV (%)	(0.0)	0.0	0.8	0.7	1.2	1.2	2.2	2.4
FCFE/Mkt Cap (%)	(0.0)	0.0	0.8	0.7	0.7	0.8	1.7	1.8
Dividend Yield (%)	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.5

Source: Company, HSIE Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
2-Mar-20	1,757	ADD	2,073
13-Apr-20	1,422	ADD	1,502
14-Apr-20	1,384	ADD	1,502
21-May-20	1,521	REDUCE	1,420
2-Jul-20	1,729	REDUCE	1,420
10-Jul-20	1,687	REDUCE	1,387
3-Sep-20	2,251	REDUCE	1,758
8-Sep-20	2,242	REDUCE	1,758
16-Oct-20	2,297	REDUCE	1,758
13-Nov-20	2,339	REDUCE	1,800
24-Nov-20	2,618	REDUCE	1,800
12-Jan-21	2,878	REDUCE	2,204
4-Feb-21	2,646	REDUCE	2,204
20-Feb-21	2,900	REDUCE	2,204
22-Feb-21	2,951	REDUCE	2,500

**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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## HDFC securities

### Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)