

February 22, 2021

Event Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	3,261		2,941	
Sales (Rs. m)	42,978	51,206	42,978	51,206
% Chng.	-	-	-	-
EBITDA (Rs. m)	12,031	14,409	12,031	14,409
% Chng.	-	-	-	-
EPS (Rs.)	38.9	50.9	40.1	52.3
% Chng.	(2.8)	(2.7)	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	38,858	32,376	42,978	51,206
EBITDA (Rs. m)	8,771	7,861	12,031	14,409
Margin (%)	22.6	24.3	28.0	28.1
PAT (Rs. m)	3,203	2,360	5,139	6,713
EPS (Rs.)	24.3	17.9	38.9	50.9
Gr. (%)	(3.2)	(26.3)	117.8	30.6
DPS (Rs.)	6.0	6.0	12.0	16.0
Yield (%)	0.2	0.2	0.4	0.5
RoE (%)	25.6	18.8	33.4	33.3
RoCE (%)	42.5	32.4	51.2	48.3
EV/Sales (x)	10.4	12.5	9.3	7.7
EV/EBITDA (x)	46.1	51.3	33.2	27.3
PE (x)	128.3	174.1	80.0	61.2
P/BV (x)	34.7	31.1	23.4	18.1

Key Data

JUBI.BO | JUBI IN

52-W High / Low	Rs.3,129 / Rs.1,138
Sensex / Nifty	49,744 / 14,676
Market Cap	Rs.411bn/ \$ 5,668m
Shares Outstanding	132m
3M Avg. Daily Value	Rs.6146.83m

Shareholding Pattern (%)

Promoter's	41.94
Foreign	39.43
Domestic Institution	12.75
Public & Others	5.88
Promoter Pledge (Rs bn)	3.17

Stock Performance (%)

	1M	6M	12M
Absolute	13.4	57.4	65.4
Relative	11.4	21.6	36.9

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Charmi Mehta

charmimehta@plinida.com | 91-22-66322256

Heet Vora

heetvora@plindia.com | 91-22-66322381

DP Eurasia to add another growth engine

JUBI's acquisition of Dp Eurasia through 32.8% controlling stake in Fide Foods Systems marks its entry in Europe with leadership in Turkey and No3 position in Russia. We believe JUBI will be able to drive benefits in long term given 1) Familiraity to operate Dominos in India 2) Asset light business model with more focus on franchisee operations 3) scope to grow in Russia and Turkey with potential of 1500/900 stores 4) synergy benefits in RM procurement and digital/technology. We believe addition of these territories literally doubles addressable market and adds new growth avenues in long term. We belive acquisition at 7.5x EV/EBITDA (trailing) as against 43.2x EV/EBITDA (FY21) for JUBI is attractive. We are raising our DCF based TP to Rs 3261 (earlier Rs 2941). Retain Accumulate.

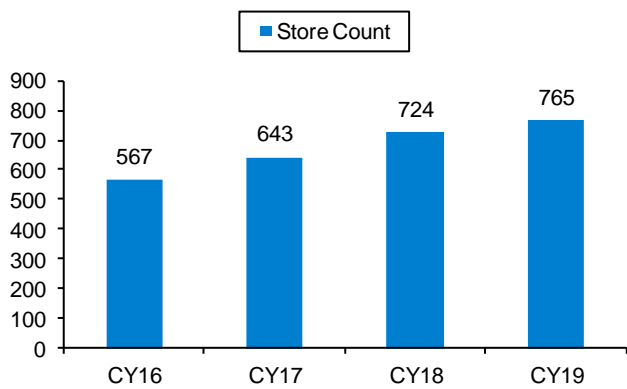
- JUBI Acquires DP Eurasia:** Jubilant Foodworks acquisition of Fides Food Systems for GBP 24.80 million (~Rs 2.5bn) through its wholly owned subsidiary - Jubilant Foodworks Netherlands B.V. marks its entry into Europe as Fides holds 32.81% controlling stake in DP Eurasia N.V, the exclusive master franchisee of Domino's Pizza in Turkey, Russia, Azerbaijan and Georgia. Dp Eurasia has 25 years of operating history and was founded by current CEO Aslan Saranga who has 4.5% stake and will continue to run the operations.
- DP Eurasia has sales of TRY1370m, PAT at TRY4mn:** DP Eurasia had sales of TRY1370mn, Gross profit of TRY335mn and EBIDTA of TRY125mn. DP Eurasia's revenues are dominated by delivery (74% of Rvenues) and focus on driving online sales through own platform which aligns with JUBI's strategy and contribution through own platform at 40% remains sizeable.
- Large store potential in countires of presence:** DP Eurasia operated 771 stores (568 in Turkey, 190 in Russia, 9 in Azerbaijan and 4 in Georgia) in CY20 with a total potential to open 900/1500 stores. The company has 550 as franchisee stores while 221 are corporate stores with higher presence in Russia. We believe there is large headway to grow and expect JUBI to use their expertise to open corporate stores in these geographies to drive growth.
- Delivery dominates overall revenue:** Delivery accounted for ~74% of Revenue in CY20. Dominance of delivery bodes well for the company given change in consumer behaviour during the pandemic with consumer preference skewed towards delivery. DP Eurasia has been focusing on driving delivery sales through own platform and were able to achieve 25.9%/71.4% of delivery revenue through own platform in Turkey and Russia respectively.
- Strong liquidity position:** DP Eurasia maintains a strong liquidity position with cash of TRY 128mn and additional credit of TRY 142mn. Group's strong liquidity position enables it to prepay its bank borrowings in Russia if required, and still maintain a strong liquidity position. The company had slowed down on its expansion plans as PE player was contemplating an exit. DP Eurasia is contemplating listing in Turkey which will improve valuations.

Exhibit 1: Russia and Turkey remain Key markets

	CY19	CY18
Total Stores	765	724
Franchise Store	521	238
Corporate Store	244	486
Turkey stores	550	535
Russia stores	203	179
LFL Growth (%)	11	10
System Sales (TRY mn)	1370	1125
Revenue (TRY mn)	980	857
Gross Profit (TRY mn)	335	291
Adjusted EBITDA (TRY mn)	125	110
Net Profit (TRY mn)	4	-11

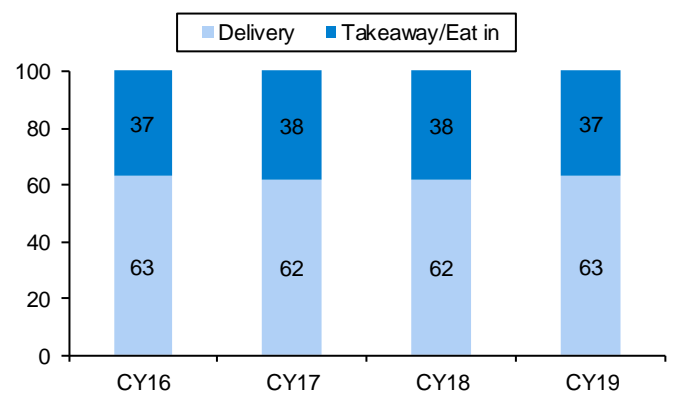
Source: Company, PL

Exhibit 2: Store Count has been increasing progressively



Source: Company, PL

Exhibit 3: Delivery dominates Revenue.



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	38,858	32,376	42,978	51,206
YoY gr. (%)	10.1	(16.7)	32.7	19.1
Cost of Goods Sold	9,707	7,121	9,479	11,564
Gross Profit	29,151	25,256	33,499	39,642
Margin (%)	75.0	78.0	77.9	77.4
Employee Cost	7,846	7,804	8,433	9,536
Other Expenses	12,534	4,979	6,522	7,731
EBITDA	8,771	7,861	12,031	14,409
YoY gr. (%)	44.3	(10.4)	53.0	19.8
Margin (%)	22.6	24.3	28.0	28.1
Depreciation and Amortization	3,441	3,805	4,137	4,671
EBIT	5,329	4,057	7,894	9,737
Margin (%)	13.7	12.5	18.4	19.0
Net Interest	1,635	1,550	1,685	1,826
Other Income	688	690	752	1,181
Profit Before Tax	3,935	3,196	6,961	9,092
Margin (%)	10.1	9.9	16.2	17.8
Total Tax	1,181	836	1,822	2,379
Effective tax rate (%)	30.0	26.2	26.2	26.2
Profit after tax	2,755	2,360	5,139	6,713
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,203	2,360	5,139	6,713
YoY gr. (%)	(3.2)	(26.3)	117.8	30.6
Margin (%)	8.2	7.3	12.0	13.1
Extra Ord. Income / (Exp)	(448)	-	-	-
Reported PAT	2,755	2,360	5,139	6,713
YoY gr. (%)	(14.7)	(14.3)	117.8	30.6
Margin (%)	7.1	7.3	12.0	13.1
Other Comprehensive Income	(28)	-	-	-
Total Comprehensive Income	2,726	2,360	5,139	6,713
Equity Shares O/s (m)	132	132	132	132
EPS (Rs)	24.3	17.9	38.9	50.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	18,110	19,900	23,724	28,050
Tangibles	17,023	18,742	22,385	26,504
Intangibles	1,088	1,158	1,339	1,545
Acc: Dep / Amortization	9,771	11,708	14,015	16,741
Tangibles	9,050	10,830	12,957	15,475
Intangibles	721	877	1,058	1,267
Net fixed assets	8,340	8,192	9,709	11,308
Tangibles	7,973	7,912	9,428	11,030
Intangibles	367	280	281	279
Capital Work In Progress	394	200	200	200
Goodwill	-	-	-	-
Non-Current Investments	1,888	4,536	5,147	5,846
Net Deferred tax assets	810	859	878	886
Other Non-Current Assets	14,150	11,470	11,053	10,581
Current Assets				
Investments	512	1,688	2,071	2,647
Inventories	922	616	832	1,031
Trade receivables	193	284	377	449
Cash & Bank Balance	6,392	5,681	9,827	14,654
Other Current Assets	369	324	430	512
Total Assets	33,989	33,900	40,646	48,326
Equity				
Equity Share Capital	1,320	1,320	1,320	1,320
Other Equity	10,510	11,915	16,262	21,391
Total Networkth	11,829	13,235	17,582	22,711
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	15,076	14,093	15,322	16,599
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	4,485	3,647	4,359	5,187
Other current liabilities	2,594	2,889	3,276	3,631
Total Equity & Liabilities	33,989	33,900	40,646	48,326

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	4,383	3,196	6,961	9,092
Add. Depreciation	3,441	3,805	4,137	4,671
Add. Interest	1,635	1,550	1,685	1,826
Less Financial Other Income	688	690	752	1,181
Add. Other	13,425	(1,078)	1,072	1,117
Op. profit before WC changes	22,884	7,473	13,855	16,706
Net Changes-WC	2,833	(1,458)	300	254
Direct tax	(1,181)	(836)	(1,822)	(2,379)
Net cash from Op. activities	24,537	5,179	12,333	14,581
Capital expenditures	(17,266)	(3,385)	(5,711)	(6,344)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(17,266)	(3,385)	(5,711)	(6,344)
Issue of share cap. / premium	23	-	-	-
Debt changes	-	-	-	-
Dividend paid	(1,750)	(955)	(792)	(1,584)
Interest paid	(1,635)	(1,550)	(1,685)	(1,826)
Others	(2,407)	-	-	-
Net cash from Fin. activities	(5,769)	(2,505)	(2,477)	(3,410)
Net change in cash	1,502	(711)	4,145	4,828
Free Cash Flow	7,270	1,794	6,623	8,237

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	24.3	17.9	38.9	50.9
CEPS	50.3	46.7	70.3	86.3
BVPS	89.6	100.3	133.2	172.1
FCF	55.1	13.6	50.2	62.4
DPS	6.0	6.0	12.0	16.0
Return Ratio(%)				
RoCE	42.5	32.4	51.2	48.3
ROIC	19.7	15.3	27.5	31.4
RoE	25.6	18.8	33.4	33.3
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.6)	(0.7)	(0.8)
Net Working Capital (Days)	(32)	(31)	(27)	(26)
Valuation(x)				
PER	128.3	174.1	80.0	61.2
P/B	34.7	31.1	23.4	18.1
P/CEPS	61.9	66.7	44.3	36.1
EV/EBITDA	46.1	51.3	33.2	27.3
EV/Sales	10.4	12.5	9.3	7.7
Dividend Yield (%)	0.2	0.2	0.4	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	8,979	3,803	8,055	10,572
YoY gr. (%)	3.8	(59.5)	(18.5)	(0.2)
Raw Material Expenses	2,296	836	1,709	2,294
Gross Profit	6,682	2,967	6,346	8,278
Margin (%)	74.4	78.0	78.8	78.3
EBITDA	1,695	241	2,147	2,786
YoY gr. (%)	14.8	(89.0)	(8.7)	9.9
Margin (%)	18.9	6.3	26.7	26.4
Depreciation / Depletion	916	908	1,030	876
EBIT	778	(667)	1,117	1,910
Margin (%)	8.7	(17.5)	13.9	18.1
Net Interest	410	419	412	405
Other Income	204	127	311	156
Profit before Tax	573	(959)	1,016	1,661
Margin (%)	6.4	(25.2)	12.6	15.7
Total Tax	120	(233)	247	410
Effective tax rate (%)	21.0	24.3	24.3	24.7
Profit after Tax	452	(726)	769	1,251
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	452	(726)	769	1,251
YoY gr. (%)	(44.8)	(197.1)	(13.0)	20.6
Margin (%)	5.0	(19.1)	9.5	11.8
Extra Ord. Income / (Exp)	(323)	-	-	-
Reported PAT	129	(726)	769	1,251
YoY gr. (%)	(85.6)	(197.1)	(23.8)	20.6
Margin (%)	1.4	(19.1)	9.5	11.8
Other Comprehensive Income	(5)	(40)	24	(7)
Total Comprehensive Income	125	(766)	794	1,244
Avg. Shares O/s (m)	12	12	12	12
EPS (Rs)	37.7	(60.5)	64.1	104.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	03-Feb-21	Accumulate	2,941	2,646
2	07-Jan-21	UR	-	2,789
3	12-Nov-20	Hold	2,290	2,355
4	08-Oct-20	Hold	2,255	2,330
5	02-Sep-20	Hold	2,255	2,251
6	08-Jul-20	UR	-	1,746
7	20-May-20	Hold	1,392	1,530
8	12-Apr-20	Accumulate	1,490	1,423

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	2,829	2,740
2	Avenue Supermarts	BUY	3,296	2,968
3	Bajaj Electricals	BUY	884	768
4	Britannia Industries	BUY	4,280	3,474
5	Colgate Palmolive	Hold	1,651	1,564
6	Crompton Greaves Consumer Electricals	BUY	447	412
7	Dabur India	Accumulate	550	515
8	Emami	BUY	568	483
9	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
10	Havells India	Hold	1,126	1,131
11	Hindustan Unilever	BUY	2,502	2,391
12	ITC	BUY	254	226
13	Jubilant FoodWorks	Accumulate	2,941	2,646
14	Kansai Nerolac Paints	BUY	653	579
15	Marico	Accumulate	440	411
16	Nestle India	Hold	17,364	17,217
17	Pidilite Industries	Hold	1,739	1,670
18	Polycab India	BUY	1,247	1,278
19	Titan Company	Hold	1,601	1,563
20	Voltas	Hold	1,000	1,058

PL's Recommendation Nomenclature (Absolute Performance)

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



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Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com