

Jubilant FoodWorks (JUBI IN)

Rating: ACCUMULATE | CMP: Rs2,646 | TP: Rs2,941

Faster scalability across brands: Accumulate

Quick Pointers:

- Opened 57 stores in Q3FY21, highest ever in a quarter, on track to open 110+ stores in FY21 (Gross)
- Recovery on track as Overall sales grew 6.0% in Jan'21 driven by 19.2/73.4% growth in Delivery/Takeaway.
- Introduced 'Domino's Drive-N-Pick' – to grow takeaway channel as it is the lowest cost channel.

We are increasing FY21/22/23 EPS by 7.4%/3.2%/5.0% as Domino's system sales have recovered to 100.3% with January recovery at 106%. We remain positive on JUBI given 1) Increased focus on store opening in coming years with medium term potential of 3000 Dominos 2) lower competition as several smaller players have gone out of business 3) Investment in App being rewarded by record downloads and improved mix order value and 4) huge growth opportunity in segments like biryani (EkDum) and chinese foods (Hong's Kitchen) given lack of large organised players.

We believe JUBI's wide reach and affordable portfolio will enable dine in to grow swiftly once capacity restrictions are lifted. We believe strong cash position and negative working capital provides JUBI an opportunity to create new food services brands. We believe scale up opportunity in Hong's Kitchen and EkDum provides huge optionality value. We value the stock on DCF and assign a target price of Rs2941 with Accumulate rating (Under review earlier), although we expect returns to be backended given rich valuations.

Concall Takeaways: 1) Focus back on growth after sales recovered in 3Q21. 2) Store openings to gain traction as JUBI expect store potential of more than 3000 in medium term 3) Dine in recovery slower due to capacity constraints, expect revenues to come back once capacities are restored 4) Hong's kitchen has recovered across delivery and takeaways channel. Focus will be on scaling business in FY22 as guidelines and SOP are in place. 4) Forayed into biryani through EkDum! to take advantage of the fragmented organized market in the segment 5) Hong's Kitchen and EkDum will offer lower GRM than Domino's but at EBITDA margin level difference will be lower. 6) Investment in BBQ nation financial in nature rather than structural, do not expect to increase share of participate in operations going forward. 7) Investment in own digital assets have been rewarded by highest ever App downloads of 7.4mn in 3Q21. New customers coming first through App, mix and weight of order from own app have grown significantly.

SSG down 1.7%: Net Sales marginally decreased 0.2% to Rs 10.57bn (Est Rs 11.23bn). SSG stood at -1.7% while LTL at -0.2%. Gross margin expanded bps 340YoY to 78.3% (Est 78%). EBITDA increased 9.9% to Rs 2.77bn (est Rs 3.06bn). EBITDA margins expanded 240bps to 26.4% (Est 27.2%) mainly on account of gross margin expansion. Adj PAT increased 20.6% to Rs 1.25bn (Est Rs 1.43bn).

February 3, 2021

Q3FY21 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		UNDER REVIEW	
Target Price	2,941		-	
Sales (Rs. m)	42,978	51,206	41,917	49,725
% Chng.	2.5	3.0		
EBITDA (Rs. m)	12,031	14,409	11,887	14,085
% Chng.	1.2	2.3		
EPS (Rs.)	40.1	52.3	38.8	49.8
% Chng.	3.2	5.0		

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	2,422	5,286	6,902
EPS (Rs.)	24.3	18.4	40.1	52.3
Gr. (%)	(3.2)	(24.4)	118.3	30.6
DPS (Rs.)	6.0	6.0	12.0	16.0
Yield (%)	0.2	0.2	0.5	0.6
RoE (%)	25.6	19.3	34.0	33.8
RoCE (%)	42.5	32.3	50.8	47.6
EV/Sales (x)	8.8	10.5	7.8	6.4
EV/EBITDA (x)	39.0	43.2	27.8	22.8
PE (x)	109.0	144.2	66.1	50.6
P/BV (x)	29.5	26.3	19.6	15.1

Key Data

JUBI.BO | JUBI IN

52-W High / Low	Rs.2,988 / Rs.1,138
Sensex / Nifty	50,256 / 14,790
Market Cap	Rs.349bn/ \$ 4,786m
Shares Outstanding	132m
3M Avg. Daily Value	Rs.5960.55m

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	(5.3)	52.2	35.3
Relative	(9.8)	11.9	7.4

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Charmi Mehta

charmimehta@plindia.com | 91-22-66322256

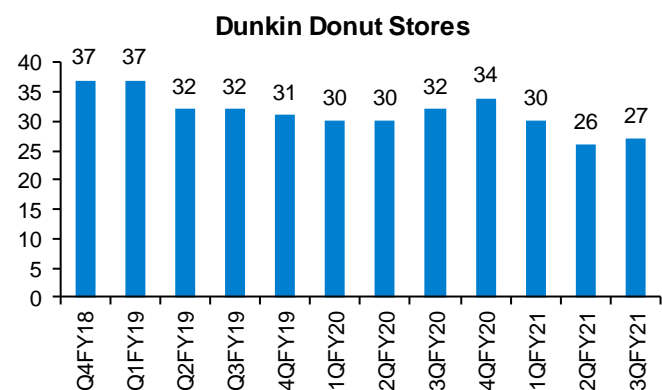
Heet Vora

heetvora@plindia.com | 91-22-66322381

Exhibit 1: 3QFY21 Sales were flat, Margins aided by GRM expansion

Y/e March	Q3FY21	Q3FY20	YoY gr. (%)	Q2FY21	9MFY21	9MFY20	YoY gr. (%)
Net Sales	10,572	10,596	(0.2)	8,055	22,430	29,879	(24.9)
Gross Profit	8,278	7,937	4.3	6,346	17,592	22,469	(21.7)
<i>% of NS</i>	<i>78.3</i>	<i>74.9</i>	<i>3.4</i>	<i>78.8</i>	<i>78.4</i>	<i>75.2</i>	<i>3.2</i>
EBITDA	2,786	2,536	9.9	2,147	5,174	7,076	(26.9)
<i>Margins %</i>	<i>26.4</i>	<i>23.9</i>	<i>2.4</i>	<i>26.7</i>	<i>23.1</i>	<i>23.7</i>	<i>(0.6)</i>
Depreciation	876	880	(0.4)	1,030	2,814	2,525	11.4
Interest	405	426	(5.0)	412	1,236	1,225	0.9
Other Income	156	159	(2.2)	311	594	484	22.7
PBT	1,661	1,389	19.5	1,016	1,718	3,810	(54.9)
Tax	410	352	16.3	247	424	1,141	(62.9)
<i>Tax rate %</i>	<i>24.7</i>	<i>25.4</i>	<i>(0.7)</i>	<i>24.3</i>	<i>24.7</i>	<i>29.9</i>	<i>(5.3)</i>
Adjusted PAT	1,251	1,037	20.6	769	1,294	2,669	(51.5)

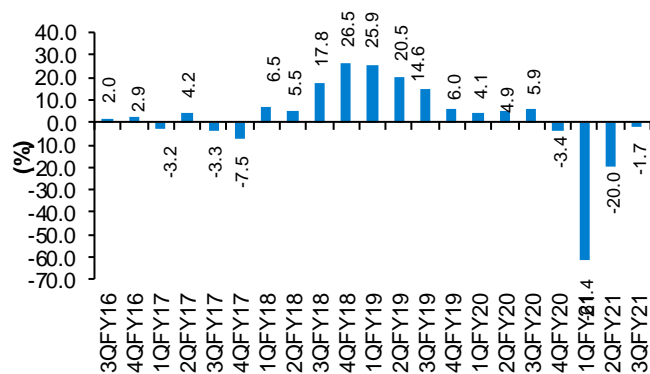
Source: Company, PL

Exhibit 2: 1 stores (net) opened during the quarter


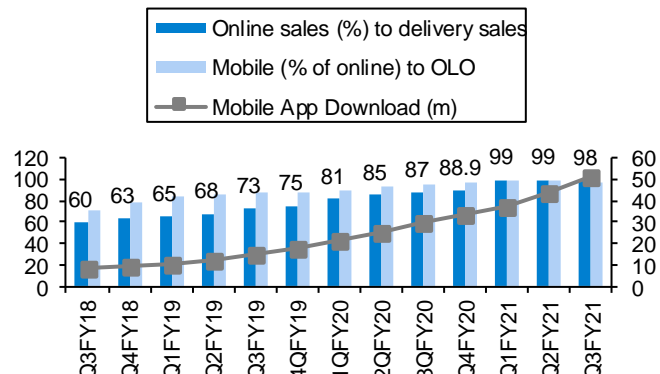
Source: Company, PL

Exhibit 3: Dominos opened 50 stores during 3Q

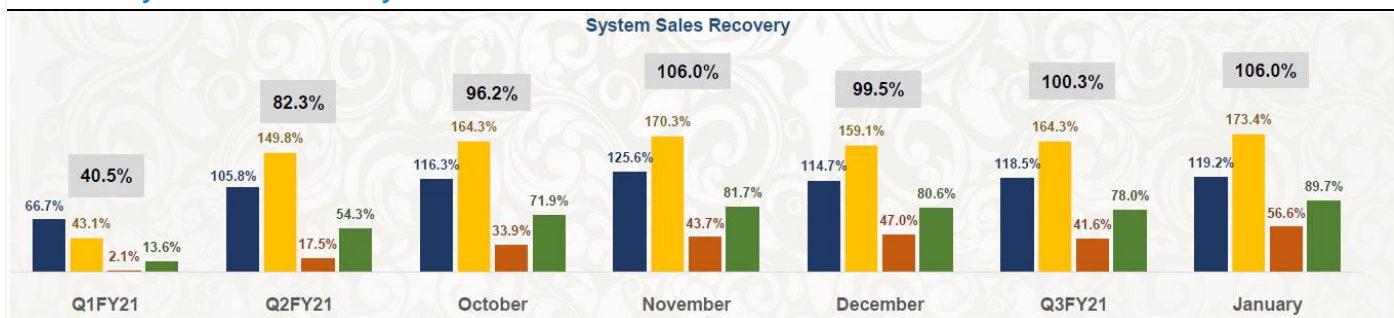

Source: Company, PL

Exhibit 4: SSG at -1.7%; LTL at -0.2%


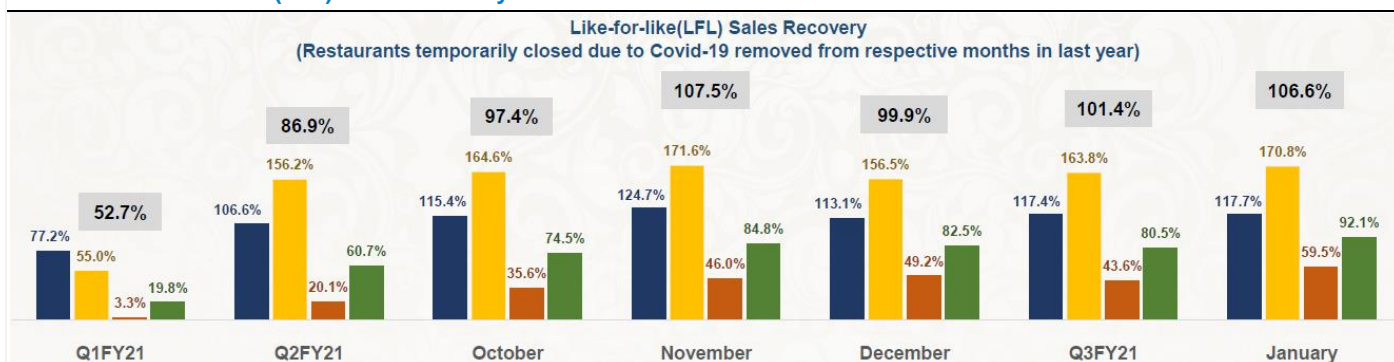
Source: Company, PL

Exhibit 5: OLO contribution at 98%


Source: Company, PL

Exhibit 6: System Sales Recovery from Oct–Dec'20


Source: PL, Company

Exhibit 7: Like for Like (LFL) Sales recovery from Oct-Dec'20


Source: Company, PL

Exhibit 8: Launched 'Domino's Drive-N-Pick' to strengthen takeaway channel


Source: Company, PL

Exhibit 9: Forayed into Biryani segment with Ekdum!



Source: Company, PL

Exhibit 10: Introduced plant based protein products during the qtr



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	774	951	1,437
Profit Before Tax	3,935	3,280	7,159	9,349
Margin (%)	10.1	10.1	16.7	18.3
Total Tax	1,181	858	1,874	2,447
Effective tax rate (%)	30.0	26.2	26.2	26.2
Profit after tax	2,755	2,422	5,286	6,902
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,203	2,422	5,286	6,902
YoY gr. (%)	(3.2)	(24.4)	118.3	30.6
Margin (%)	8.2	7.5	12.3	13.5
Extra Ord. Income / (Exp)	(448)	-	-	-
Reported PAT	2,755	2,422	5,286	6,902
YoY gr. (%)	(14.7)	(12.1)	118.3	30.6
Margin (%)	7.1	7.5	12.3	13.5
Other Comprehensive Income	(28)	-	-	-
Total Comprehensive Income	2,726	2,422	5,286	6,902
Equity Shares O/s (m)	132	132	132	132
EPS (Rs)	24.3	18.4	40.1	52.3

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	2,020	2,254	2,518
Net Deferred tax assets	810	858	876	880
Other Non-Current Assets	14,150	11,470	11,054	10,582
Current Assets				
Investments	512	726	1,027	1,539
Inventories	922	616	832	1,031
Trade receivables	193	284	377	449
Cash & Bank Balance	6,392	9,222	13,975	19,492
Other Current Assets	369	324	430	512
Total Assets	33,989	33,963	40,857	48,729
Equity				
Equity Share Capital	1,320	1,320	1,320	1,320
Other Equity	10,510	11,977	16,471	21,789
Total Network	11,829	13,297	17,791	23,109
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	33,963	40,857	48,729

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	4,383	3,280	7,159	9,349
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	774	951	1,437
Add. Other	13,425	(1,077)	1,073	1,119
Op. profit before WC changes	22,884	7,558	14,055	16,965
Net Changes-WC	2,833	(496)	382	318
Direct tax	(1,181)	(858)	(1,874)	(2,447)
Net cash from Op. activities	24,537	6,203	12,564	14,836
Capital expenditures	(17,266)	(869)	(5,333)	(5,910)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invst. activities	(17,266)	(869)	(5,333)	(5,910)
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	2,830	4,753	5,517
Free Cash Flow	7,270	5,334	7,230	8,927

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	24.3	18.4	40.1	52.3
CEPS	50.3	47.2	71.4	87.7
BVPS	89.6	100.8	134.8	175.1
FCF	55.1	40.4	54.8	67.6
DPS	6.0	6.0	12.0	16.0
Return Ratio(%)				
RoCE	42.5	32.3	50.8	47.6
ROIC	19.7	16.9	30.5	35.2
RoE	25.6	19.3	34.0	33.8
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.7)	(0.8)	(0.9)
Net Working Capital (Days)	(32)	(31)	(27)	(26)
Valuation(x)				
PER	109.0	144.2	66.1	50.6
P/B	29.5	26.3	19.6	15.1
P/CEPS	52.6	56.1	37.1	30.2
EV/EBITDA	39.0	43.2	27.8	22.8
EV/Sales	8.8	10.5	7.8	6.4
Dividend Yield (%)	0.2	0.2	0.5	0.6

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	07-Jan-21	UR	-	2,789
2	12-Nov-20	Hold	2,290	2,355
3	08-Oct-20	Hold	2,255	2,330
4	02-Sep-20	Hold	2,255	2,251
5	08-Jul-20	UR	-	1,746
6	20-May-20	Hold	1,392	1,530
7	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	647	637
4	Britannia Industries	BUY	4,301	3,540
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	205
13	Jubilant FoodWorks	UR	-	2,789
14	Kansai Nerolac Paints	UR	-	613
15	Marico	Accumulate	440	411
16	Nestle India	Hold	17,640	18,515
17	Pidilite Industries	Hold	1,739	1,670
18	Polycab India	BUY	1,247	1,278
19	Titan Company	UR	-	1,573
20	Voltas	UR	-	882

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

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