

# Jubilant Foodworks

**BSE SENSEX** 58,136  
**S&P CNX** 17,345

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## Stock Info

Bloomberg	JUBI IN
Equity Shares (m)	660
M.Cap.(INRb)/(USDb)	373.4 / 4.7
52-Week Range (INR)	915 / 452
1, 6, 12 Rel. Per (%)	-5/-12/-34
12M Avg Val (INR M)	2618
Free float (%)	58.1

## Financials Snapshot (INR b)

Y/E March	2022	2023E	2024E
Sales	44.0	51.7	61.2
Sales Gr. (%)	32.7	17.6	18.4
EBITDA	11.1	13.0	15.6
EBITDA Margin (%)	25.2	25.2	25.4
Adj. PAT	4.4	5.2	6.7
Adj. EPS (INR)	6.6	7.9	10.1
EPS Gr. (%)	89.1	19.6	27.6
BV/Sh.(INR)	29.5	32.0	37.7

## Ratios

RoE (%)	22.4	24.7	26.7
RoCE (%)	16.0	15.9	18.3
Payout (%)	36.3	40.5	43.6

## Valuation

P/E (x)	85.7	71.6	56.1
P/BV (x)	19.2	17.7	15.0
EV/EBITDA (x)	32.4	27.6	22.9
Pre-IND AS 116 EV/EBITDA (x)	46.2	39.3	32.6

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	41.9	41.9	41.9
DII	17.3	15.7	10.8
FII	30.0	32.1	41.9
Others	10.7	10.2	5.4

FII Includes depository receipts

**CMP: INR566 TP: INR720 (+27%) Buy**

## Popeyes: JUBI's new growth engine?

- Jubilant Foodworks (JUBI) was granted the master franchise rights for the fried chicken brand, Popeyes Louisiana Kitchen (PLK) in Mar'21. In this report, we will look at: a) PLK's history, b) the brand's recent international store expansion trajectory, c) its operating model in India, and d) the areas where potential synergies with JUBI exist. We will also present the findings from our visits to PLK stores in Bengaluru.
- JUBI's expansion strategy:** JUBI has guided for an additional 250 Dominos restaurants in FY23 with management reiterating the medium-term potential of 3,000 Dominos stores nationwide. However, its management has not displayed the same aggression for its other brands – Dunkin Donuts, Hong's Kitchen or Ek dum! In case of PLK, though, JUBI has guided for 250-300 stores in the medium term (with no specific timeline) including 20-30 stores in FY23E. As a dine-in focused brand, for now, with larger stores (and therefore, higher capex per store) than Dominos, the potential for higher capital allocation towards the PLK brand warrants an understanding of its prospective scalability and profitability.
- The PLK brand, its history and product offerings:** Popeyes was founded in 1972 in Louisiana and its fried chicken and sandwiches have developed a notably positive reputation for its Cajun flavors. In India too, the Chain has stayed true to its roots with a menu offering that focuses on differentiated Cajun flavors. Its menu in India is very similar to the largest competitor, KFC; however, the menu is likely to evolve as the brand expands in India.
- Operations in India:** Keeping in mind the dine-in based nature of fried chicken, PLK stores are spacious and contemporary with every store (we visited) sporting a capacity of at least 40 seats. This is uncharacteristic for JUBI – a player known for developing a formidable pizza delivery operation with smaller stores. Nevertheless, it was interesting to see that every store had its own fleet of e-bikes for delivery and PLK also has its own app for ordering in store or for delivery. As of now, PLK is not available on any of the aggregator platforms.
- Potential synergies with JUBI:** With an expansive database of valuable information collected over decades, JUBI acquired deep insights into customer behavior at a granular level. This should help it identify ideal locations for PLK's expansion and reduce the likelihood of a store closure. PLK can also leverage JUBI's existing commissary network (set up by JUBI v/s Dominos) to secure advantages related to sourcing, efficiency and consistency.
- Channel checks and review:** We visited four PLK stores in Bengaluru; our overall experience was pleasant. The product offerings are good with differentiated flavors and its fried chicken sandwich, chicken popcorn, and fries were customer favorites. PLK stores have an average customer rating of 4.1-4.4 stars on Google suggesting reasonable customer acceptance.

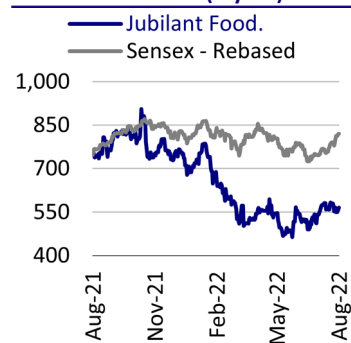
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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

## Stock Performance (1-year)



## Taking advantage of the improved post-COVID opportunity; top pick in QSR

- JUBI remains our top pick in the QSR space. The company is well placed to capture the enhanced post-COVID opportunity presented to QSRs in India, underpinned by its three strong moats of delivery, value, and technology.
- JUBI has historically had the best business model for QSRs in India, with its emphasis on delivery (at 70% of sales prior to the pandemic). With the addition of technology and 'value' moats, the business has only intensified further.
- Even as the dependence of FSI players on aggregators continues to increase, JUBI remains relatively insulated because of: a) having its own last-mile delivery fleet and b) the majority of its orders originating from its own app.
- The company also enjoys the best balance sheet, with a RoCE of over 20% for many years now (barring a blip in FY21 due to the pandemic). The balance sheet strength helps fund its profitable store expansions as well, which is supported by its triumvirate moats of delivery, value, and technology.
- We expect JUBI's EPS to post a CAGR of 23.5% over FY22-24. Since its new brands, including PLK, are still in nascent stages of development, our forecasts do not factor in any meaningful contribution from any of these businesses.
- The stock trades at 32.6x FY24 pre-IND AS 116 EV/EBITDA. While not inexpensive, we believe the company deserves premium multiples for the abovementioned reasons. **We maintain our BUY rating and value the stock at 40x Jun'24E pre-IND AS 116 EV/EBITDA to arrive at our TP of INR720.**

## History of Popeyes

### **BRANDING HISTORY**

Chicken on the Run

Popeyes Mighty Good  
Chicken

Popeyes Famous Fried  
Chicken

Popeyes Louisiana Kitchen

- Popeyes was founded in 1972 in New Orleans, Louisiana, US by Alvin Charles Copeland. It was launched under the name “Chicken on the Run”, which promised a very fast service wherein the company committed that one would get their chicken along with their change.
- After a few months of lackluster performance, Mr Copeland reopened the restaurants as “Popeyes Mighty Good Chicken” with **spicy, New Orleans style chicken**; this was re-branded again in 1975 to “Popeyes Famous Fried Chicken.”
- In 1976, it opened the first franchise restaurant also in Louisiana and in 1985, the company opened its 500<sup>th</sup> restaurant in Landover, Maryland and became the **number three QSR player** in the US.
- Popeyes acquired Church Fried Chicken Inc. (Church Chicken), which was the second-largest fried chicken chain in the US, in 1989. Popeyes filed for bankruptcy in 1991 and Americas Favorite Chicken Company (currently, AFC Enterprises Inc.) was created as the new parent of Popeyes and Church Chicken.
- AFC sold Church Chicken in 2004 to focus on Popeyes and in 2008 it reinvented itself as “Popeyes Louisiana Kitchen” (PLK) based on its long-standing roots in Louisiana.
- In Mar’17, Restaurant Brands International (RBI) acquired PLK for USD1.8b.
- PLK is present in 25 countries and is further expanding in other geographies. It celebrated its 50<sup>th</sup> Anniversary on 12<sup>th</sup> June 2022.

## Turnaround Story

### CEO Changes in early-mid 2000s

1997-2002: Jon Luther

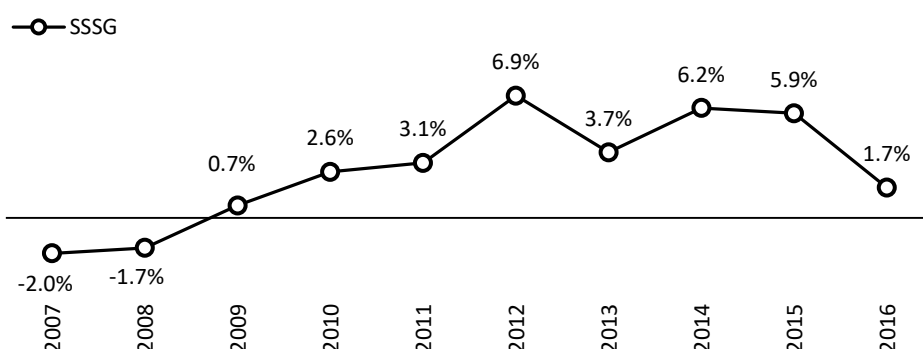
2002-2004: Dick Holbrook (interim)

2005-2007: Kenneth L. Keymer

Mar-Nov'07: Frederick B. Beilstein (interim)

- During the early to mid-2000s, PLK faced various challenges due to multiple changes at CEO level, choppy sales and lack of right strategy (such as targeting only short-term goals).
- During late 2007, Miss Cheryl Bachelder became the CEO of the company. She joined Popeyes in 2006 as a Board member. She was working as senior vice president of marketing and product development for Domino's Pizza from 1995 to 2000. In 2001, she left Domino's to join Yum! Brands as president of the international fried chicken restaurant chain KFC. Two years later, she was dismissed, based on what she herself describes as "'mediocre' performance."
- She came up with a four-pillar strategy after taking over as the CEO of PLK:
  - **Building the Popeyes Brand:** offering a distinctive brand and menu with clear competitive advantages
  - **Running great restaurants:** strengthening restaurant operations and improving the Popeyes guest experience by providing service as distinctive as the food
  - **Strengthening unit economics:** identifying cost savings to improve food, labor and overhead efficiencies in the restaurants
  - **Aligning people and resources to deliver results:** making significant investments in brand building, operational tools and talent
- Other corrective measures included: treating franchisees as important customers, focusing on store-level profitability, creating national advertisement campaigns (previously it was more locally focused) and also implementing sophisticated software to help franchisees opt for the best location for opening new restaurants.
- Driven by the above efforts, PLK achieved positive SSSG in 2009 and the same is increasing since then.
- According to a media interview in 2012, following are the few improved parameters for Popeyes:
  - number of guests delighted grew to 77% in end-2011 from 66% in 2009
  - in 2009, only 25% of the system had average service time of 180 seconds or less which rose to 80% in 2011,
  - media weight tripled v/s 2008 (from a TRP of 2,000 to 6,000), etc.

**Exhibit 1: SSSG on an upward journey from 2009 but tapered off in 2016**



\*SSSG not disclosed since RBI takeover

Source: MOFSL, Company

## Operational Collectanea

- PLK reported system-wide sales of USD5.5b in CY21 v/s USD 5.1b in CY20. Its five-year revenue CAGR over CY16-21 stood at 10.9%.
- Total number of stores has increased to 3,705 in CY21 from 2,688 in CY16 at a 6.6% CAGR. At end-CY21, revenue per store was USD1.5m v/s USD1.2m in CY16. Post the acquisition by RBI, store additions accelerated, barring CY20 that was adversely affected by COVID. The five-year store addition CAGR stood at 6.6% in CY21 v/s 5.7% in CY16, indicating the aggressive store addition strategy by RBI.

**Exhibit 2: PLK's performance before RBI's acquisition (USD m)**

Particulars USD m	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2-yr CAGR	3-yr CAGR	4-yr CAGR
System-wide Sales	1,730	1,740	1,772	1,862	1,985	2,253	2,438	2,737	3,061	3,287	10%	10%	13%
System-wide Sales Growth (%)	0.3	0.6	1.8	5.1	6.6	13.5	8.2	12.3	11.8	7.4			
Number of Stores	1,905	1,922	1,943	1,977	2,035	2,104	2,225	2,379	2,539	2,688	6%	7%	9%
Stores Growth (%)	1.4	0.9	1.1	1.7	2.9	3.4	5.8	6.9	6.7	5.9			
Revenue/Store (USD'000)	908	906	912	942	975	1,071	1,096	1,151	1,205	1,223	3%	4%	5%

Source: MOFSL, Company

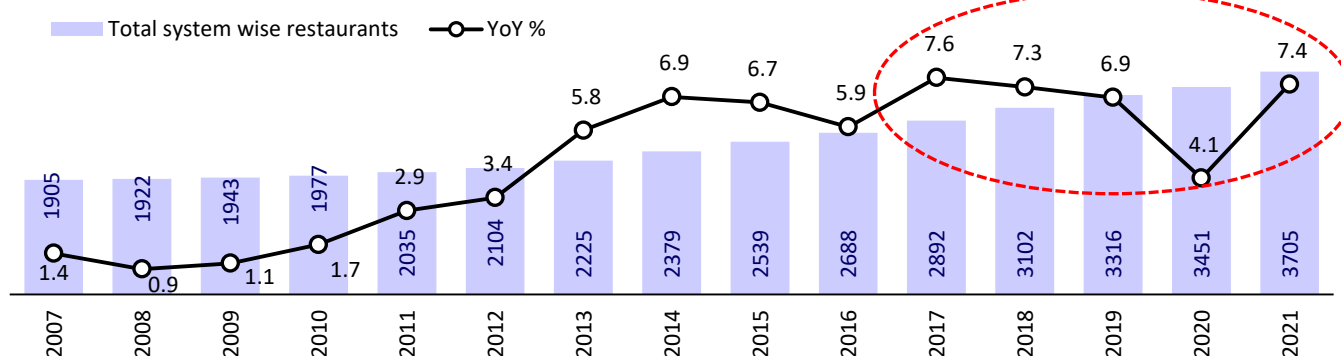
**Exhibit 3: Robust performance of PLK post-acquisition by RBI (USD m)**

Particulars USD m	2017*	2018	2019	2020	2021	2-yr CAGR	3-yr CAGR	4-yr CAGR
System-wide Sales	3,512	3,732	4,397	5,143	5,519	12%	14%	16%
System-wide Sales Growth	5.1%	8.9%	18.5%	17.7%	7.3%			
Number of Stores	2,892	3,102	3,316	3,451	3,705	6%	6%	9%
Stores Growth	7.6%	7.3%	6.9%	4.1%	7.4%			
Revenue/Store (USD'000)	1,214	1,203	1,326	1,490	1,490	6%	7%	7%

\*RBI acquired PLK on 27<sup>th</sup> March 2017

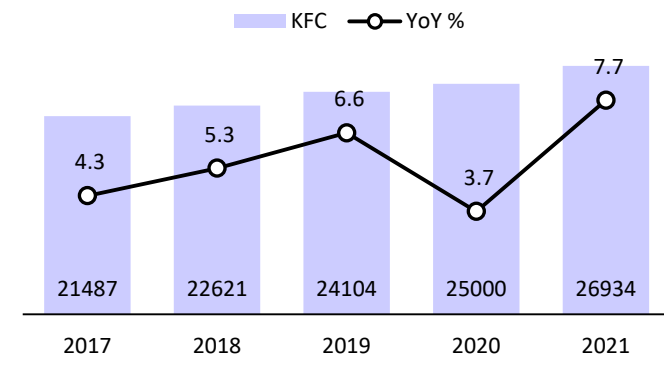
Source: MOFSL, Company

**Exhibit 4: Faster store additions post-RBI's acquisition**

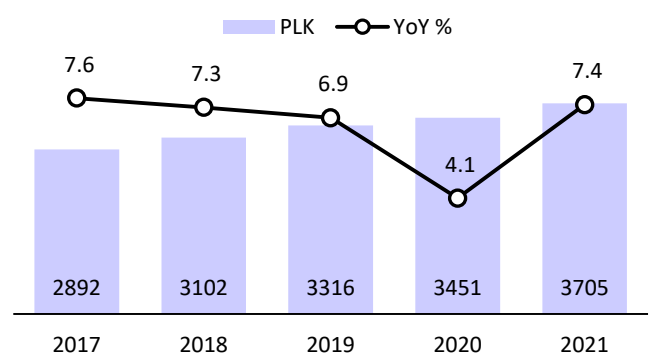


Source: MOFSL, Company

- When compared with fried chicken peer's (KFC) store additions, PLK has witnessed faster additions. The five-year store addition CAGR for KFC was 5.5% v/s 6.6% for PLK.
- Average store size of PLK is ~1,600-3,500 sq ft, while the same for KFC India is 1,400-1,500 sq ft currently (it used to be ~2,700 sq ft previously).

**Exhibit 5: Five-year store addition CAGR at 5.5% for KFC in FY21...**

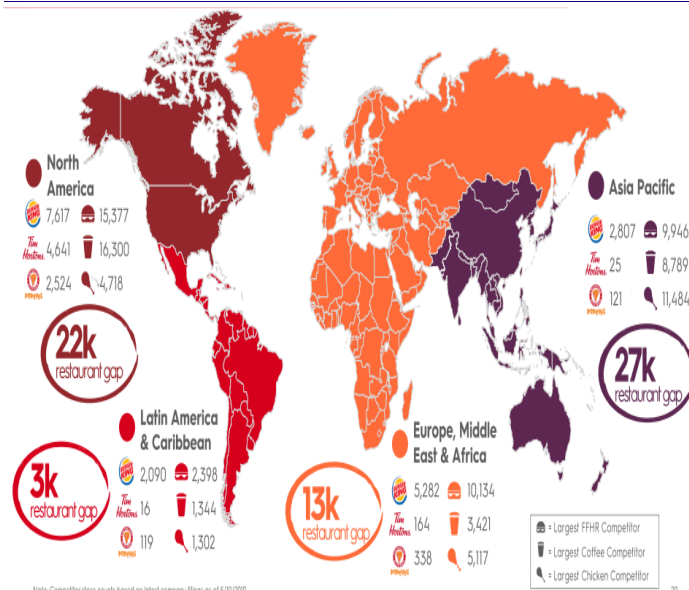
Source: MOFSL, Company

**Exhibit 6: ...while the same for PLK stood at 6.6%**

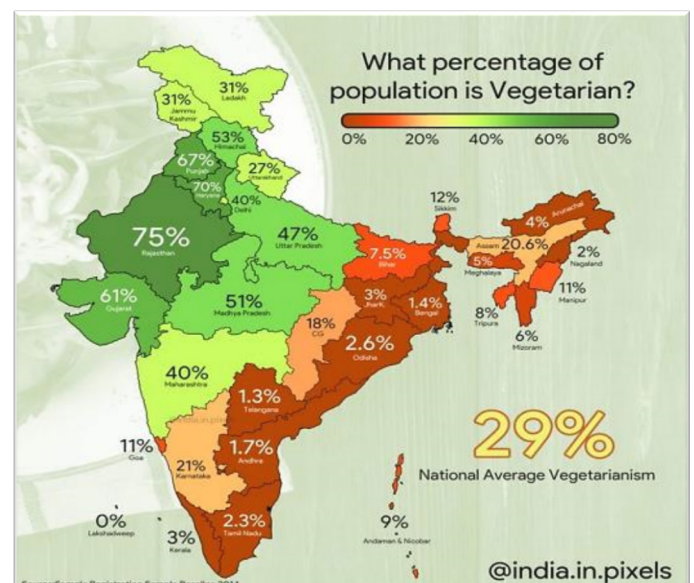
Source: MOFSL, Company

**Emerging Market story; ample growth opportunity in India**

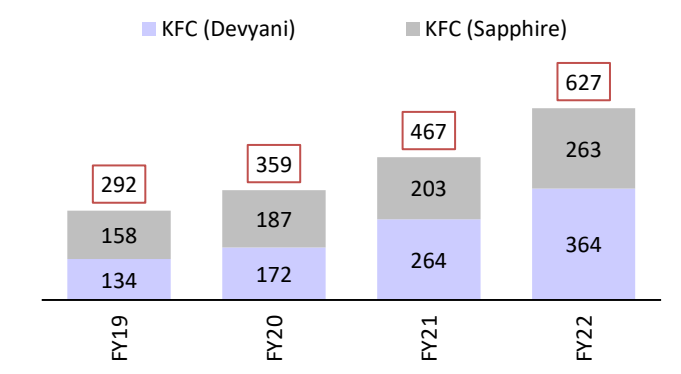
- As on 31<sup>st</sup> Mar'19, the largest chicken competitor of Popeyes, i.e. KFC, had 11,484 stores in Asia Pacific while Popeyes had only 121 stores.
- As end-FY22, KFC had 627 stores across India while Popeyes had only four stores (currently, six stores). Both Devyani and Sapphire have stated that they would be aggressively adding new stores in the coming years (Devyani: ~100 KFC stores in next year, Sapphire: doubling the current 482 stores over the next 3-4 years), indicating the strong market for chicken products in India.
- With the chicken market already being established, a) 71% of the non-vegetarian population in India, and b) aggressive store addition plans for KFC and no other big player with chicken as the proprietary product except for KFC, will present an ocean of opportunity for Popeyes to expand and grow its India business.

**Exhibit 7: Huge opportunity for Popeyes in Asia-Pacific region**

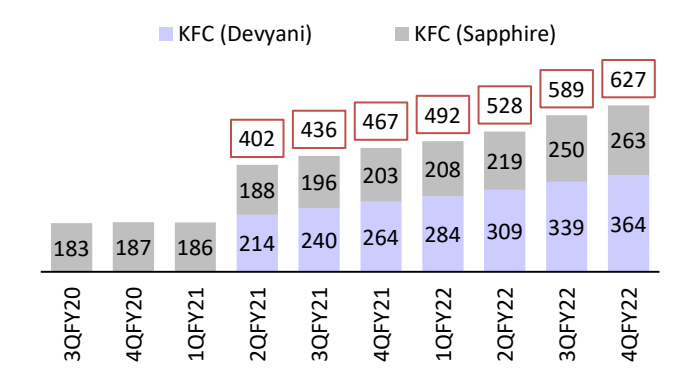
Source: Company

**Exhibit 8: 71% of Indian population is non-vegetarian**Source: [India in Pixels](https://india.in.pixels/), MOFSL



**Exhibit 9: The combined KFC store network across both franchise partners in India has seen a 29% CAGR over FY1-22**

Source: Company, MOFSL

**Exhibit 10: Both franchise partners have become more aggressive with store openings since the pandemic abated**

Source: Company, MOFSL

### Product Sourcing

- All of RBI's products used in PLK restaurants are sourced from third-party suppliers. As of 31<sup>st</sup> Dec' 21, five distributors serviced approximately 85% of PLK restaurants in the US. PLK also utilizes exclusive suppliers for some of its proprietary products. The suppliers sell these products to RBI's approved distributor who in turn sells them to the company.
- **Details of the supply agreement:** In Jun'14, PKL purchased the formulas it uses in the preparation of its core menu items from Diversified Foods and Seasonings, L.L.C. ("Diversified") for USD43.0m. RBI and Diversified terminated the previous royalty and supply agreement, which gave RBI worldwide exclusive rights to the formulas, and replaced it with a new supply agreement. The new supply agreement denotes that RBI and its franchisees agree to utilize Diversified as the exclusive supplier of certain agreed upon core products. The new supply agreement to continue until Mar'34, unless earlier terminated in accordance with the terms of the agreement.

## Global expansion strategy

### Renewed focus on international store expansion

- Since the acquisition of PLK by RBI in 2017, there has been a higher aggression on rapid store expansion, within the US as well as internationally. Some plans may have taken a back-seat in recent years because of the pandemic but RBI (PE-owned) would want to make up for the lost time.
- Since its acquisition by RBI, PLK has expanded into Spain, Switzerland, China, Brazil, Sri Lanka and the Philippines over the past few years.
- In CY21, RBI entered into: a) master franchise agreements for the PLK brand in India, France, Mexico, Saudi Arabia, South Korea and the United Kingdom and b) development agreements for the PLK brand in Romania and Jamaica.
- With most of the international locations having opened very recently, there are hardly any global precedents of success or failure to rely on.
- The first Popeyes franchise in South East Asia opened in Bengaluru and there were four stores at the end of FY22 all in Bengaluru.

### Some history of failed international expansion

- Popeyes arrived in the Philippines in CY01 but left in CY07 due to a problem with the franchisor. Notably, this was much before RBI acquired the PLK brand.
- In Dec'20, Popeyes announced that it will be closing all locations in South Korea, due to poor sales partially attributed to the pandemic.

## JUBI and Popeyes: Bringing Cajun flavors to India

### Scheme of arrangement

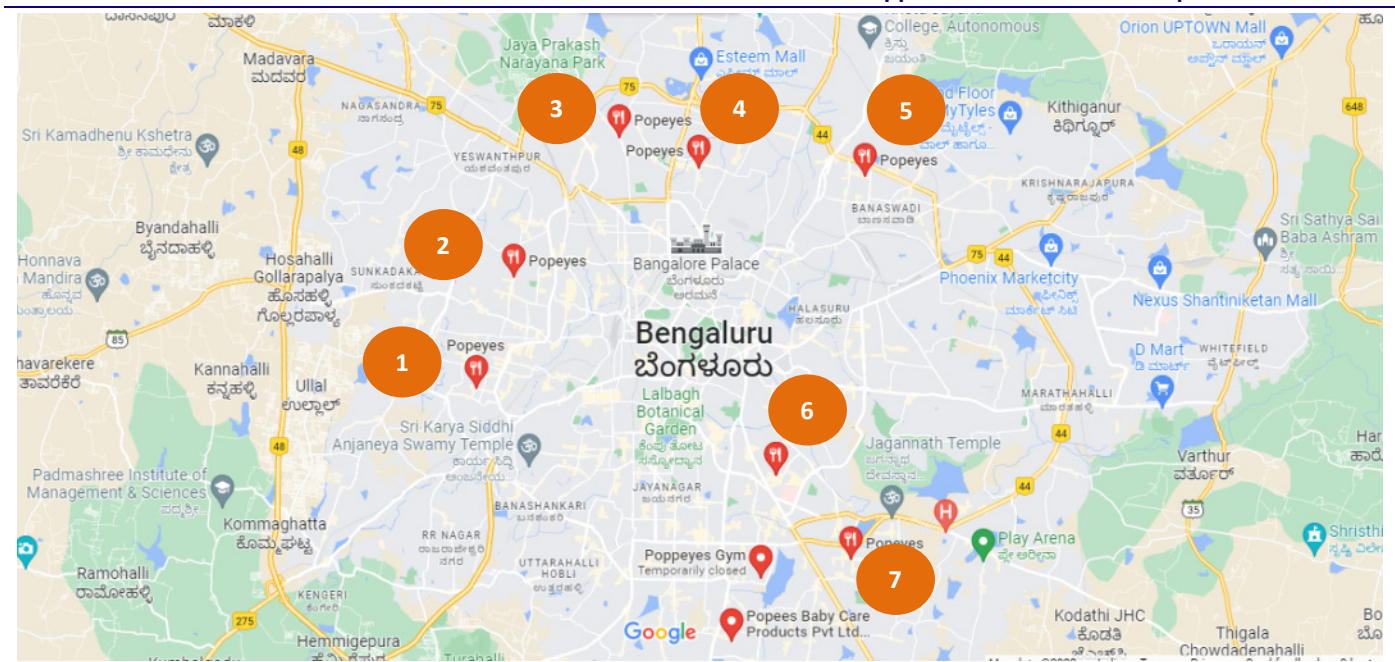
- JUBI entered into an agreement with PLK APAC Pte. Ltd., a subsidiary of RBI, in Mar'21 to gain franchise rights to open and operate the Popeyes (PLK) brand in India, Bangladesh, Nepal, and Bhutan.
- **Duration of the franchise agreement:** RBI's other franchise partner in India, Restaurant Brands Asia (earlier Burger King India), acquired the master franchise rights for Burger King in India until Dec'39 after starting operations in CY13, suggesting a 25-year contract. We assume JUBI may have also acquired the master franchise rights for PLK.
- **Royalty rates:** We estimate that for a similar long-term period, royalty rates for PLK would be similar to other regions as well as other brands of RBI. Most PLK restaurants in the US and Canada pay a royalty of 5% on gross sales. RBA's royalty rates are also capped at 5%.
- **Ad contribution:** Typically, franchisees fund nearly all of the marketing programs for PLK by making contributions ranging from 2% to 5% of gross sales to advertising funds managed by RBI or by the franchisees. RBA is mandated to contribute 5% of sales (net of GST) towards its advertising budget. We believe, JUBI will have a similar arrangement at 4-5% of sales especially given that Popeyes is still a relatively new and unfamiliar brand in India.
- **Technology fee:** Additionally, PLK franchisees pay a technology fee on all digital sales through RBI's proprietary technology which is 1% of digital sales.
- **Store opening targets:** JUBI has already guided at opening 25-30 PLK stores in FY23 and sees a potential for 250-300 stores in the medium term. Given the recent aggression in international expansion shown by RBI, we believe JUBI could be looking at a store opening target of 300 by FY26. If JUBI is able to validate PLK's unit economics and brand acceptance, it may be incentivized to rapidly expand its presence in earlier years to leverage non-refundable store opening deposits that might be lower in initial years.

### Modus operandi and channel checks

We visited multiple stores in Popeyes to get a better understanding of the product, menu, ambience, price points, and operations. We present our findings below:

- **Store location:** Currently, Popeyes is only present in Bengaluru, Karnataka. While there were four stores at end-4QFY22, our visit in Jul'22 revealed seven stores of which, two were still under construction. Stores were opened at a distance of 4-5kms from each other in what appeared to be a hub-and-spoke formation. All of these stores were located in prominent locations on high streets – with no mall stores.



**Exhibit 11: Stores are located at a distance of 4-5kms from each other in what appeared to be a hub-and-spoke formation**

Source: Google Maps, MOFSL

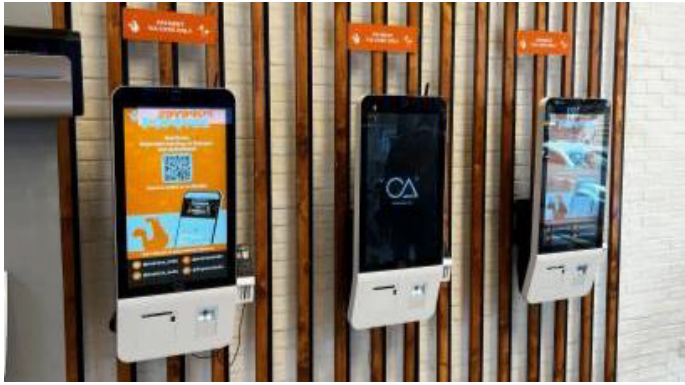
- **Store size and ambience:** All the stores we visited had 40-50 seat capacities and we estimate the size of each store to be 1,600-2,000 sq. ft. with a clear focus on creating a pleasant dine-in experience. All stores were designed around the same theme with prominent entrances and visible (and mostly generously sized) kitchens. Kiosks for ordering were present at every store to distribute order taking capability during peak hours. We believe there may be some guidelines on store size and number of covers mandated by the brand.

**Exhibit 12: Large prominent entrance on high streets**

Source: MOFSL

**Exhibit 13: Modern design language with decent seating capacity**

Source: MOFSL

**Exhibit 14: Kiosks placed near the entrance for placing orders**

Source: MOFSL

**Exhibit 15: Large and clearly visible kitchens**

Source: MOFSL

- **Menu and product offerings:** PLK offers a standardized menu that is similar to fried chicken peer, KFC. While options are limited, we believe there will be innovations to the menu especially to the beverage offering and dessert offering, the latter of which was grossly lacking. Flavors were different to that from KFC and the overall dining experience was pleasant.

**Exhibit 16: PLK's menu and pricing are similar to fried chicken peer, KFC**

Source: MOFSL

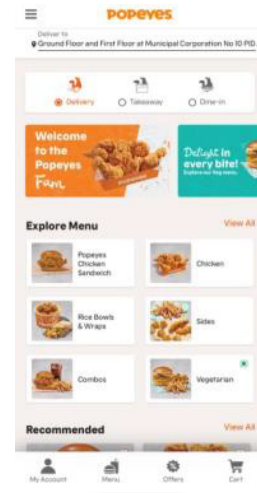
- **App and delivery:** JUBI extends its delivery and tech strengths to PLK by creating a foundation for the business early on. Every store we visited had 3-4 electric scooters with Popeyes branding for last mile delivery up to a radius of 4kms from the store. It even has the option of using Dominos riders who may be familiar with the location. Additionally, JUBI also has a dedicated app for PLK where customers can place orders for dine-in, takeaway, or delivery.

**Exhibit 17: Dedicated electric scooters at every store to enable delivery within a 4km radius from the store**



Source: MOFSL

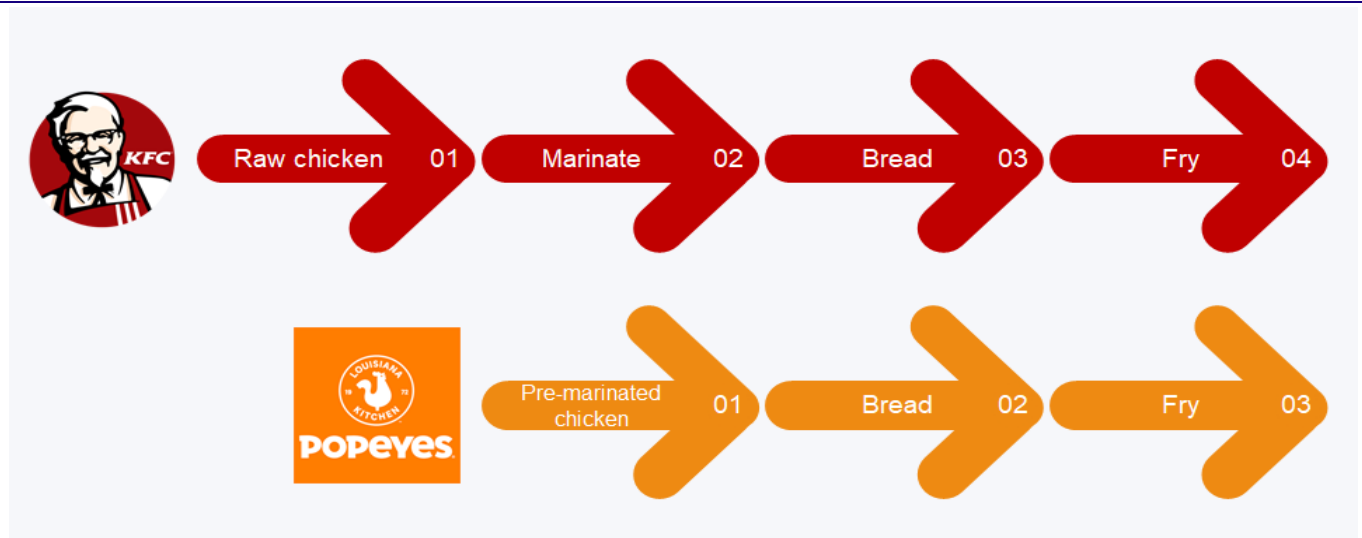
**Exhibit 18: Clean and intuitive app launched for placing orders in store or for delivery**



Source: MOFSL

- Logistics and processes:** One area of distinction between PLK and KFC is the process that they use for preparing chicken. KFC stores receive raw chicken from Yum!-approved vendors, which is then marinated for five-six hours, breaded, fried, and served. In the case of PLK, stores receive chicken that has been pre-marinated for 12 hours every morning. This is then breaded, fried, and served to customers. Having pre-marinated chicken delivered to the stores eliminates one time consuming step at the store level. It also allows JUBI to better standardize flavors at a centralized location and sweat its logistics fleet.

**Exhibit 19: Marinating the chicken at a central location helps PLK eliminate one step at the store level**



Source: MOFSL

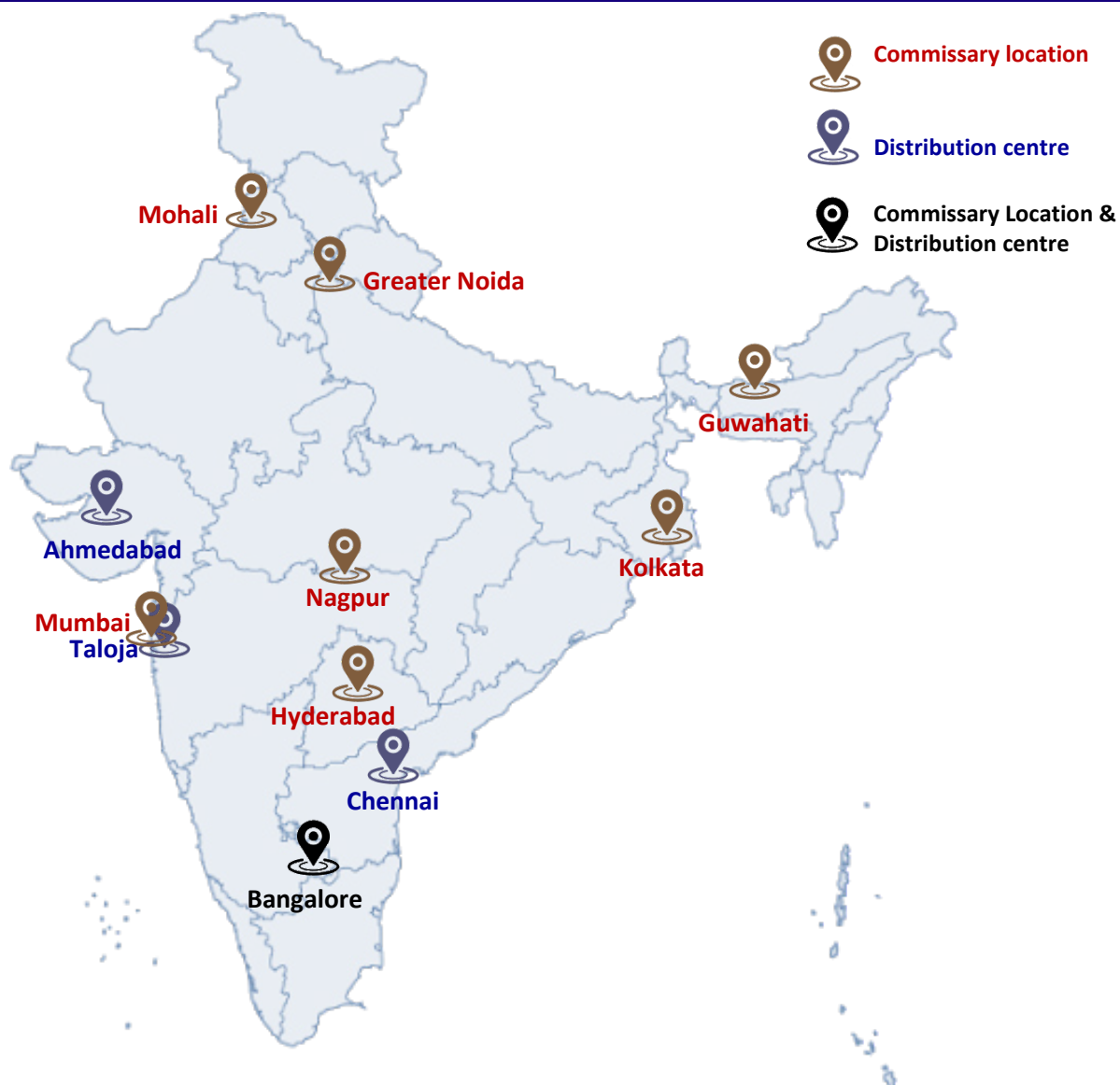
- Customers' reviews and rating:** All of the Popeyes stores have a rating of 4.1-4.4 stars on Google with over 600 ratings for each suggesting that the brand has been well received by its audience.



### Where we see synergy

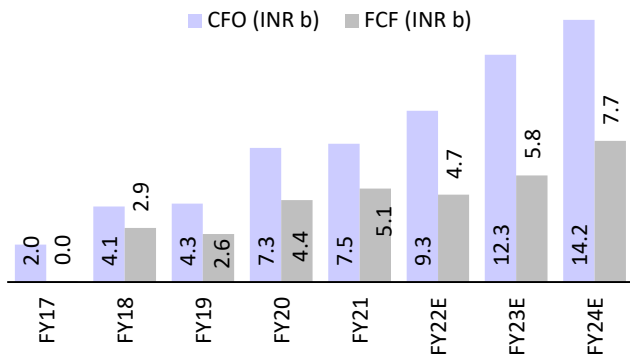
- **Location identification:** With a Dominos store network of over 1,500 and over a decade of data collection from orders across pin codes all over India, JUBI has a significant strategic advantage in terms of location identification. JUBI has location-wise data of customers including dietary preferences (vegetarian/non-vegetarian), dine-in v/s delivery preference, and ordering patterns by day of the week and time of day. This gives JUBI an edge in identifying suitable locations for its PLK store network, which should reduce its risk of failed stores notably.
- **Commissaries and sourcing:** Since inception, JUBI has invested in building a robust supply chain and food processing ecosystem across India, and its eight commissaries have been the cornerstone of this strategy. The strategy helped JUBI introduce strict food safety protocol, a key requirement for working with international brands. It also ensures quick delivery and supply to stores, both old and new. While there may be differences in ingredients and processes used for PLK, having an established supply chain should make for a smooth transition.

Exhibit 20: JUBI's commissary locations

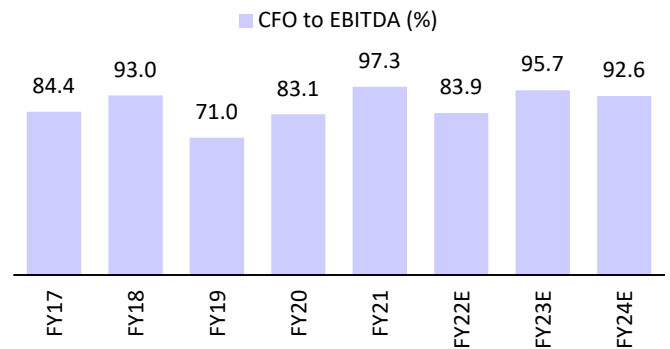


Source: Company

- **Free cash flow for expansion and A&P:** Establishing a store network from nearly scratch will require steady cash infusion to support capex, technology, manpower, and setting up a supply chain. Moreover, investments in A&P will be high especially for a relatively unfamiliar brand. With the core business generating stable and consistent cash flow, JUBI may be in a position to take advantage of lower royalty rates and non-refundable deposits that are lower in early years thus, improving the near-term unit economics.

**Exhibit 21: Steady increase in CFO/FCF**

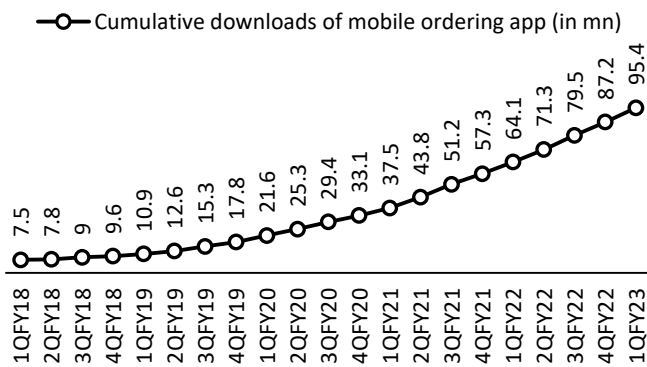
Source: Company, MOFSL

**Exhibit 22: Consistently robust CFO to EBITDA**

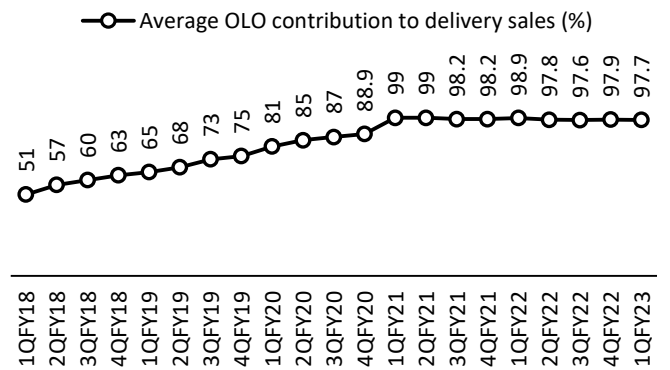
Source: Company, MOFSL

### Where we are uncertain on PLK's prospects

- **New CEO's experience:** Sameer Khetarpal will join as JUBI's MD and CEO from Sep'22. He comes with rich experience in technology and would not only help in strengthening JUBI's technology moat but would also be instrumental in integrating PLK with the back-end processes of the core business. His experience in running a dine-in focused restaurant is, however, limited at best.
- **App and technology moat:** While JUBI's analytics for its core business would be key strength in setting up the PLK network as mentioned above, its nearly 90m app downloads for the Dominos app would offer little benefit to PLK. Dominos is the third most downloaded food delivery app in India, only behind food aggregators and far ahead of any other QSR peer.

**Exhibit 23: Dominos is the third most downloaded food delivery app in India**

Source: Company, MOFSL

**Exhibit 24: Rapid rise in online order contribution to sales**

Source: Company, MOFSL

**Where we DO NOT see synergy**

- **Delivery specialist with own fleet:** JUBI has established itself as a delivery specialist and is the only QSR player with its own fleet, fulfilling its own last mile delivery originating on any platform. This has given JUBI a significant competitive advantage (speed of delivery, access to data, customer experience) v/s peers as well as a cost benefit (with aggregators charging 18-22% as fees). However, with fried chicken being a dine-in based cuisine, JUBI will have to work on improving its in-store experience, something Dominos has lacked. While fried chicken peer, KFC, has also seen an increase in the salience of its delivery channel led by the pandemic, it still remains at a much lower proportion (~35-40%) than Dominos (>70%). While JUBI may be able to replicate processes and training for its last-mile delivery fleet, it will still need to create a new one for PLK or depend on aggregators for PLK's delivery business.
- **Store size and capex:** Another cornerstone of JUBI's success has been the ability to open smaller stores outside of prime retail locations (malls and high streets) with heavy footfalls, given its focus on delivery. However, PLK would not only need larger store sizes to accommodate RBI's minimum seating requirement (we estimate 40-45 covers) but also a larger kitchen size contributing to higher capex per store. The dine-in nature of fried chicken would also need more premium locations (at higher lease rentals).
- **Complex process implementation:** Fried chicken is a cuisine that requires a more complex preparation process and includes proper handling of raw chicken, time for marinating, and timing the frying process (unlike pizza baking that happens at a set duration on a conveyer belt system). Hence, training may be longer and employee cost may be higher to avoid significant churn.



## Valuation and view

- JUBI remains our top pick in the QSR space. The company is well placed to capture the enhanced post-COVID opportunity presented to QSRs in India, underpinned by its three strong moats of delivery, value, and technology.
- JUBI has historically had the best business model for QSRs in India, with its emphasis on delivery (at 70% of sales prior to the pandemic). With the addition of technology and 'value' moats, the business has only intensified further.
- Even as the dependence of FSI players on aggregators continues to increase, JUBI remains relatively insulated because of: a) having its own last-mile delivery fleet and b) the majority of its orders originating from its own app.
- The company also enjoys the best balance sheet, with a RoCE of over 20% for many years now (barring a blip in FY21 due to the pandemic). The balance sheet strength helps fund its profitable store expansions as well, which is supported by its triumvirate moats of delivery, value, and technology.
- We expect JUBI's EPS to post a CAGR of 23.5% over FY22-24. Since its new brands, including PLK, are still in nascent stages of development, our forecasts do not factor in any meaningful contribution from any of these businesses.
- The stock trades at 32.6x FY24 pre-IND AS 116 EV/EBITDA. While not inexpensive, we believe the company deserves premium multiples for the abovementioned reasons. **We maintain our BUY rating and value the stock at 40x Jun'24E pre-IND AS 116 EV/EBITDA to arrive at our TP of INR720.**

## Financials and valuations

Income Statement							(INR m)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
<b>Net Sales</b>	<b>30,184</b>	<b>35,631</b>	<b>39,273</b>	<b>33,119</b>	<b>43,961</b>	<b>51,693</b>	<b>61,213</b>
Change (%)	16.8	18.0	10.2	-15.7	32.7	17.6	18.4
Material Consumed	7,660	8,861	9,835	7,262	9,899	11,791	13,944
<b>Gross Profit</b>	<b>22,524</b>	<b>26,770</b>	<b>29,438</b>	<b>25,856</b>	<b>34,062</b>	<b>39,901</b>	<b>47,269</b>
Gross Margin %	74.6	75.1	75.0	78.1	77.5	77.2	77.2
Operating expenses	18,123	20,773	20,682	18,144	22,974	26,857	31,715
<b>EBITDA</b>	<b>4,401</b>	<b>5,998</b>	<b>8,756</b>	<b>7,712</b>	<b>11,088</b>	<b>13,044</b>	<b>15,553</b>
Change (%)	82.5	36.3	46.0	-11.9	43.8	17.6	19.2
Margin (%)	14.6	16.8	22.3	23.3	25.2	25.2	25.4
Depreciation	1,601	1,575	3,523	3,754	3,931	4,683	5,266
Int. and Fin. Ch.	0	0	1,652	1,627	1,761	1,850	1,950
Other Non-recurring Inc.	231	474	696	731	414	458	556
<b>PBT</b>	<b>3,031</b>	<b>4,897</b>	<b>4,277</b>	<b>3,062</b>	<b>5,810</b>	<b>6,969</b>	<b>8,893</b>
Change (%)	201.7	61.6	-12.7	-28.4	89.8	20.0	27.6
Margin (%)	10.0	13.7	10.9	9.2	13.2	13.5	14.5
Tax	1,068	1,717	1,303	757	1,452	1,756	2,241
Tax Rate (%)	35.3	35.1	30.5	24.7	25.0	25.2	25.2
<b>Adjusted PAT</b>	<b>1,962</b>	<b>3,180</b>	<b>2,974</b>	<b>2,305</b>	<b>4,358</b>	<b>5,213</b>	<b>6,652</b>
Change (%)	180.5	62.0	-6.5	-22.5	89.1	19.6	27.6
Margin (%)	6.5	8.9	7.6	7.0	9.9	10.1	10.9
Non-rec. (Exp)/Inc.	0	0	-186	0	-177	-266	0
<b>Reported PAT</b>	<b>1,962</b>	<b>3,180</b>	<b>2,788</b>	<b>2,305</b>	<b>4,181</b>	<b>4,946</b>	<b>6,652</b>

Balance Sheet							(INR m)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Share Capital	1,320	1,320	1,320	1,320	1,320	1,320	1,320
Reserves	8,358	11,277	9,901	12,949	18,130	19,801	23,550
<b>Net Worth</b>	<b>9,677</b>	<b>12,596</b>	<b>11,220</b>	<b>14,268</b>	<b>19,450</b>	<b>21,121</b>	<b>24,869</b>
Loans	30	9	16,711	16,205	21,061	21,272	21,484
<b>Capital Employed</b>	<b>9,708</b>	<b>12,631</b>	<b>28,038</b>	<b>30,567</b>	<b>40,612</b>	<b>42,494</b>	<b>46,455</b>
Gross Block	11,748	13,107	37,507	38,954	48,795	55,267	61,762
Less: Accum. Depn.	3,838	5,007	15,619	17,499	21,430	26,112	31,379
<b>Net Fixed Assets</b>	<b>7,910</b>	<b>8,100</b>	<b>21,887</b>	<b>21,455</b>	<b>27,366</b>	<b>29,155</b>	<b>30,383</b>
<b>Lease Deposits</b>	<b>1,776</b>	<b>2,056</b>	<b>1,719</b>	<b>2,086</b>	<b>1,729</b>	<b>3,072</b>	<b>3,616</b>
Capital WIP	124	152	412	286	465	535	616
Investments	2,631	1,808	512	5,167	9,268	11,349	12,426
Deferred tax assets	-550	-500	751	831	526	526	526
<b>Curr. Assets, L&amp;A</b>	<b>2,525</b>	<b>6,441</b>	<b>8,417</b>	<b>7,843</b>	<b>8,463</b>	<b>6,516</b>	<b>9,152</b>
Inventory	642	771	947	1,331	1,612	1,615	1,910
Account Receivables	157	274	166	168	220	352	416
Cash and Bank Balance	1,290	4,943	6,559	5,392	5,634	3,411	5,498
Others	437	454	745	952	997	1,139	1,328
<b>Curr. Liab. and Prov.</b>	<b>4,710</b>	<b>5,426</b>	<b>5,661</b>	<b>7,101</b>	<b>7,205</b>	<b>8,660</b>	<b>10,265</b>
Other Current Liabilities	656	915	868	1,299	1,425	1,568	1,881
Creditors	3,890	4,209	4,470	5,330	5,370	6,409	7,564
Provisions	164	303	322	471	411	683	820
<b>Net Curr. Assets</b>	<b>-2,184</b>	<b>1,015</b>	<b>2,757</b>	<b>743</b>	<b>1,258</b>	<b>-2,144</b>	<b>-1,113</b>
<b>Appl. of Funds</b>	<b>9,708</b>	<b>12,631</b>	<b>28,038</b>	<b>30,567</b>	<b>40,612</b>	<b>42,494</b>	<b>46,455</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
<b>Basic (INR)</b>							
EPS	3.0	4.8	4.5	3.5	6.6	7.9	10.1
BV/Share	14.7	19.1	17.0	21.6	29.5	32.0	37.7
DPS	0.5	1.0	1.2	1.2	2.4	3.2	4.4
Payout %	16.8	20.8	26.6	34.3	36.3	40.5	43.6

### Valuation (x)

P/E	190.3	117.4	125.6	162.0	85.7	71.6	56.1
EV/Sales	12.2	10.3	9.3	11.0	8.2	7.0	5.8
EV/EBITDA	84.0	61.1	41.8	47.1	32.4	27.6	22.9
P/BV	38.6	29.6	33.3	26.2	19.2	17.7	15.0

### Return Ratios (%)

RoE	20.3	25.2	26.5	16.2	22.4	24.7	26.7
RoCE	22.1	28.5	20.3	12.1	16.0	15.9	18.3
RoIC	30.6	50.4	27.7	14.8	23.9	23.9	27.9

### Working Capital Ratios

Debtor (Days)	2	3	2	2	2	2	2
Inventory (Days)	8	8	9	15	13	11	11
Creditor (Days)	47	43	42	59	45	45	45
Asset Turnover (x)	3.1	2.8	1.4	1.1	1.1	1.2	1.3

### Leverage Ratio

Debt/Equity (x)	0.0	0.0	1.5	1.1	1.1	1.0	0.9
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### Cash Flow Statement

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
OP/(loss) before Tax	3,031	4,897	4,028	3,062	5,633	6,969	8,893
Int./Div. Received	-120	-165	1,665	1,465	1,852	-458	-556
Depreciation & Amort.	1,601	1,575	3,523	3,754	3,931	4,683	5,266
Interest Paid	71	256	454	414	294	-1,850	-1,950
Direct Taxes Paid	1,262	1,779	1,402	869	1,410	1,756	2,241
Incr in WC	-912	14	82	-509	410	-1,179	-1,056
<b>CF from Operations</b>	<b>4,091</b>	<b>4,256</b>	<b>7,278</b>	<b>7,506</b>	<b>9,300</b>	<b>12,467</b>	<b>14,368</b>
Extraordinary Items	0	0	0	0	0	0	0
Incr in FA	-1,160	-1,657	-2,830	-2,427	-4,563	-6,542	-6,575
<b>Free Cash Flow</b>	<b>2,931</b>	<b>2,600</b>	<b>4,448</b>	<b>5,080</b>	<b>4,738</b>	<b>5,925</b>	<b>7,794</b>
Others	48	262	281	-2,850	-753	-1,887	441
Pur of Investments	-1,695	958	1,502	-510	-676	-2,081	-1,077
<b>CF from Invest.</b>	<b>-2,808</b>	<b>-437</b>	<b>-1,047</b>	<b>-5,786</b>	<b>-5,992</b>	<b>-10,510</b>	<b>-7,212</b>
Issue of Shares	210	230	108	31	59	0	0
Incr in Debt	0	0	-1,323	-2,843	-1,902	211	213
Dividend Paid	164	329	1,448	0	790	2,112	2,903
Others	-393	-68	-1,951	-75	-433	-2,279	-2,379
<b>CF from Fin. Activity</b>	<b>-347</b>	<b>-167</b>	<b>-4,614</b>	<b>-2,887</b>	<b>-3,066</b>	<b>-4,180</b>	<b>-5,070</b>
<b>Incr/Decr of Cash</b>	<b>936</b>	<b>3,652</b>	<b>1,616</b>	<b>-1,167</b>	<b>242</b>	<b>-2,223</b>	<b>2,087</b>
Add: Opening Balance	354	1,290	4,943	6,559	5,392	5,634	3,411
<b>Closing Balance</b>	<b>1,290</b>	<b>4,943</b>	<b>6,559</b>	<b>5,392</b>	<b>5,634</b>	<b>3,411</b>	<b>5,498</b>

E: MOFSL Estimates

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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