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58,774

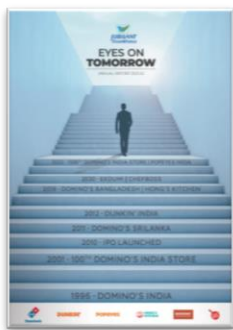
S&P CNX
17,491

CMP: INR565

TP: INR720 (+28%)

Buy

Growth prospects attractive, moats widening



In this report, we present the key takeaways from Jubilant Foodworks' (JUBI's) FY22 Annual Report.

- JUBI continues to build extensively on its three key moats of **delivery expertise, supply chain efficiency and technological superiority**.
- The emphasis on its 'value for money' proposition was also highlighted with the company choosing not to hike the price of its 'Every Day Value (EDV)' offering even as it took price increases on other parts of the portfolio.
- Management also indicated a good initial response to Popeyes with medium-term targets of 250-300 stores. We had highlighted in a [detailed note](#) earlier this month about: a) how Popeyes has fared globally, b) what JUBI brings to the table and c) why do we believe it is the most scalable among JUBI's non-Domino's businesses.
- Quick-service restaurants (QSRs) are our preferred picks to play the discretionary consumption growth story. JUBI, DEVYANI and SAPPHIRE are our top picks in this domain.

Changes impacting the food services industry post Covid-19

- The structural changes to consumer behavior led to a massive shift in the market structure, as the organized market grew more than the unorganized one and online ordering channels as envisaged grew at a much faster pace than offline channels, propelling the growth in delivery and takeaway channels.
- While Dine-In and On-Premise consumption will return, there is growing evidence of incremental occasions and habit-build in favor of the off-premise consumption, which will sustain and endure even in post-Covid period.
- The last two years have also led to non-home food becoming a lot more acceptable outside of special occasions, especially so in the smaller towns.

How is JUBI reinforcing its already strong moats?

- **Store additions and reduction in delivery time:** JUBI added a record 230 new stores and entered 48 new cities in FY22. Increasing reach is helping reduce its average delivery time. Now more than 70% of the company's delivery orders are being delivered under 20 minutes and customer satisfaction scores grew to their highest-ever levels (best-in-class in the industry).
- **Value for Money:** JUBI has endeavored to improve its value-for-money quotient continuously in an effort to recruit new consumers from the unorganized space (66% of the FSI by value). Through improvement in process efficiencies and other cost improvement measures, the management believes it can offer high-quality meals at an affordable price and even maintain those value price points on a like-to-like product basis.

Stock Info

Bloomberg	JUBI IN
Equity Shares (m)	660
M.Cap.(INRb)/(USD\$b)	372.5 / 4.7
52-Week Range (INR)	915 / 452
1, 6, 12 Rel. Per (%)	-8/-8/-35
12M Avg Val (INR M)	2639
Free float (%)	58.1

Financials Snapshot (INR b)

Y/E March	2022	2022E	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	31.3	37.0

Ratios

RoE (%)	22.4	25.2	27.3
RoCE (%)	16.0	16.0	18.5
Payout (%)	36.3	40.5	43.6

Valuation

P/E (x)	85.5	71.5	56.0
P/BV (x)	19.2	18.0	15.3
EV/EBITDA (x)	32.4	27.6	22.9
Pre-IND AS 116 EV/EBITDA (x)	46.1	39.3	32.5

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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, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- **Technology and Digital:** Technology, both customer-facing and back-end, will become an increasingly important source of competitive advantage. Recognizing that digital and data strengths need to encompass the entire breadth of the organization to become an agile and customer-centric company, JUBI continues to make requisite investments in Cloud Architecture and Data Lake, creating dedicated Product, Engineering and Data teams and upgrading its backend platforms. It is very interesting to witness the tremendous amount of work that the company is putting into both pre-order and post-order customer experience to strengthen a huge moat that JUBI enjoys v/s peers as a dominant share of orders are generated from their own app.
- **Shared competencies:** The management believes that the Foodservice category has entered an exciting period of sustained growth and there will be a significant increase in the formation of big brands across multiple cuisines and various categories. In the journey of supporting the growth of Domino's, the company has invested in key shared competencies and curated organization-wide learning that lend support to the entire portfolio of brands. These shared competencies are: resilient and robust pan-India supply chain, digital and data capabilities, business development capabilities and other support functions.

Store expansion roadmap

- It is important to examine how effectively JUBI is executing on its bold expansion plans especially given the rapid store network expansion for all QSRs.
- The key enablers in the process were predictive modeling and data-driven site selection approach.
- The site selection team meticulously evaluates potential catchment areas and micro-markets by analyzing a range of internal – actionable insights from existing store data analysis as well as external data sources. This helps in deriving predictive sales and return models around potential sites.
- Polygons and delivery radius are then carefully mapped to ensure drive times according to the defined SOPs.
- The proposed sites are then processed through a layered evaluation and approval process that ensures robust checks and helps minimize store attrition.
- Through suitable interventions by cross-functional teams, the company has been able to reduce the time from inception to store launch.
- Every new store is then evaluated against forecasted sales and the feedback from the entire process is fed back into the system for making further improvements.

Taking advantage of the improved post-Covid opportunity; top pick in the QSR space

- 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 additions 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 an 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 at nascent stages of development, our forecasts do not factor in any meaningful contribution from any of these businesses.
- The stock trades at 35.9x 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.**

Annual Report takeaways

Trends in Indian Foodservices market

- According to Euromonitor, the Indian Foodservices market was valued at USD44b in 2021, rebounding sharply from the low of USD32b encountered in 2020. **However, it remains below the pre-pandemic level of USD58b registered in 2019.**
- **An increase in the pace of penetration.** During the pandemic, the preference to stay indoors eventually accelerated the consumer shift towards online food ordering. It has helped make non-home food much more acceptable outside special occasions, especially in the smaller towns.
- While Dine-In and On-Premise consumption will recover fully, the company expects the **Delivery and Takeaway channel adoption to remain elevated.**
- **Technology and Digital will touch all parts of the business** – both customer-facing and back-end – and will become an increasingly important source of competitive advantage. Consumers will be category-agnostic when it comes to service expectations.
- Within the categories, there will be an **accelerated structural shift in favor of the organized sector** and within that the big, established, and credible brands will be preferred. Consumers are increasingly choosing the reassurance and safety aspects of trusted brands.

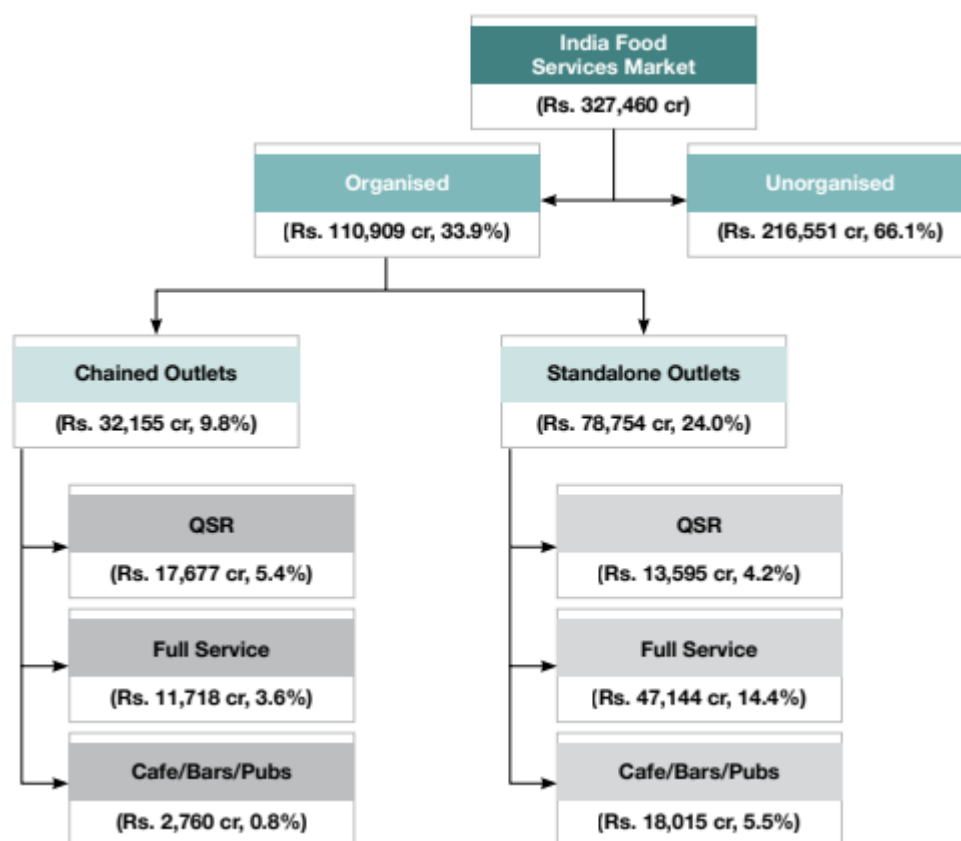
How is JUBI playing these trends?

- The one concurrent theme across all these structural trends in the Foodservice industry is that JUBI aims to be at the forefront of leading these changes.
- **Store additions and reduction in delivery time** – JUBI added a record 230 new stores and entered 48 new cities in FY22. Increasing reach is helping reduce their average delivery time. Now more than 70% of the company's delivery orders are being delivered in less than 20 minutes. It is no surprise that its customer satisfaction scores, as a result, grew to highest-ever levels and are now best-in-class in the industry.
- **Value for Money** – The unorganized segment comprising street stalls and eateries constitutes roughly 66% of the overall market by value. Therefore, the company's constant endeavor is to improve value-for-money quotient continuously. Through improvement in process efficiencies and other cost improvement measures, the management believes they can offer high-quality meals at an affordable price and even maintain those value price points on a like-to-like product basis. A case in point is the price of its EDV Offering which has remained at the same attractive price point since its introduction in FY18.
- **Innovation** – New menu offerings have also aimed to deliver consumers more of what they love. Working in this direction, the company introduced an overloaded pizza range to fortify the cheese and chicken credentials. JUBI also launched a platform extension for the two most popular categories on their sides – Garlic Bread and Lava cake.
- **Mobile app ordering** – The mobile ordering contribution to online order sales for JUBI jumped to 97% by FY22 from 38% at end-FY16. There are two elements contributing to this significant jump:

- a) Firstly, the consumers by themselves are embracing mobile commerce at a rapid pace.
- b) Secondly, the company is working in the background to make the switch to their assets smoother, personalized and more intuitive. Domino's app continues to be the highest-rated app in India within Foodservice on both Playstore and App Store. This is a testament to the constant improvements in its digital assets to delight its consumers in their digital ordering journey. It is also heartening to note that a dominant share of orders comes through their owned assets.
- c) **Digital and data strengths** – Recognizing that digital and data strengths need to permeate the entire breadth of the organization to allow it to be agile and genuinely customer-centric, the company continues to make requisite investments, including moving to the Cloud architecture, building a Data Lake, creating dedicated Product, Engineering and Data teams and upgrading their backend platforms.
- d) **Shared competencies** – The management believes that the Foodservice category has entered an exciting period of sustained growth and market making and there will be a significant increase in the formation of big brands across multiple cuisines and various categories. In the journey of supporting the growth of Domino's, JUBI has invested in key shared competencies and curated organization-wide learning which lend support to the entire portfolio of brands. These shared competencies are: resilient and robust pan-India supply chain, digital and data capabilities, business development capabilities and other support functions.

New CEO appointment

- Effective 5th Sep'22, Mr. Sameer Khetarpal will spearhead the organization as its CEO & MD.
- Mr. Khetarpal's strengths in building digital-first businesses in related spaces are expected to provide the necessary leadership to JUBI.
- Throughout his career, Mr. Khetarpal has been driven by a passion for serving customers and building businesses by leveraging technology.

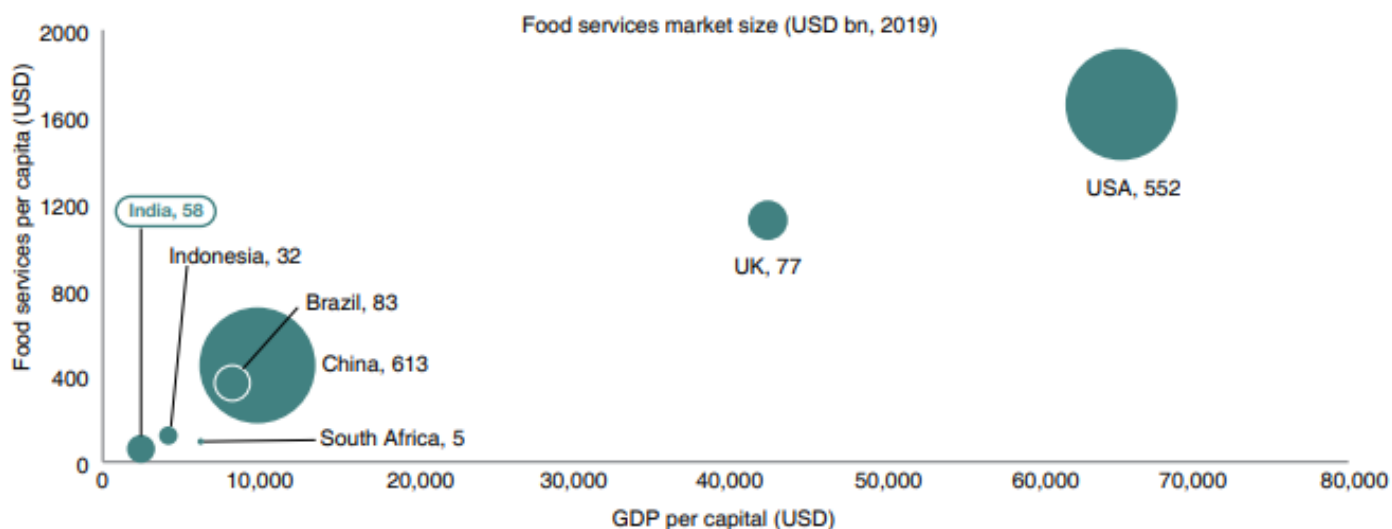
Exhibit 1: Overview of the Indian Foodservices market as of CY21

Source: Company

Changes post Covid-19

- Covid-19 emerged as a major disruptor to consumer foodservice market in India, changing the industry as it was known.
- The structural changes in consumer behavior led to a massive shift in the market structure, as the organized market grew more than the unorganized market and online ordering channels as envisaged grew at a much faster pace than offline channel propelling the growth in delivery and takeaway channels.
- While Dine-In and On-Premise consumption will recover, there is growing evidence of incremental occasions and habit-build in favor of off-premise consumption, which will sustain and endure even in post-Covid period.
- The last two years have also led to non-home food becoming a lot more acceptable outside of special occasions, especially so in the smaller towns.

Exhibit 2: Indian Foodservice journey is a multi-decade growth opportunity



Source: Company

Exhibit 3: Estimated annual household earnings

Year	Total Households in mn	Households (m) with Annual Earning \$5,000-10,000	% of Total Households	Households (m) with Annual Earning \$10,000-50,000	% of Total Households
2009	236	36	15.3%	11	4.7%
2012	254	60	23.6%	22	8.7%
2014	267	71	26.6%	27	10.1%
2015	274	85	31.0%	36	13.1%
2018	295	121	41.0%	86	29.2%
2020	310	132	42.6%	95	30.6%

Source: Company

Opportunity is massive; some of the key highlights are depicted below

- India has the second-largest urban population in the world in absolute terms at 482m in 2020, second only to China. It is the pace of India’s urbanization that is a key trend to note for its implication on India’s economic growth. The implementation of “smart city” initiative by the Indian government aimed at the creation of new urban clusters is likely to accelerate the growth of urban development in India.
- India’s population is likely to increase to ~37% by 2025, as per United Nations Population Division estimates. This trend is forecasted to reflect greater purchasing power in the urban centers with stronger growth opportunities across industries. Currently, the urban population contributes 63% to India’s GDP and is projected to contribute 75% to India’s GDP in FY30.
- India has one of the youngest populations globally v/s other leading economies. The median age in India was estimated to be 28.1 years in 2021 v/s 38.1 years

and 37.4 years in the US and China, respectively. India's median age is likely to remain under 30 years until 2030.

The process of Digital Democratization

- The proliferation of 4G network in India has resulted in over 700m subscribers for network operators. The deeper rollout of 4G-LTE networks has meant increased mobile internet penetration. Increasing network coverage, affordable tariffs, improving device ecosystem and affordability, and new use cases are expected to continue the transition of over 300m 2G feature phone users to 4G in the coming years.
- Improving broadband network penetration, device and service affordability, and new use cases for digital have caused an improvement in data usage across the country and enabled Indians to embrace digital applications.

Exhibit 4: Sales in foodservice by Online/Offline ordering; % foodservice value 2016-2021

% Value	2016	2017	2018	2019	2020	2021
Offline	98.1	97.2	95.7	93.7	90.3	89.3
Online	1.9	2.8	4.3	6.3	9.7	10.7

Source: MOFSL, Company

How do JUBI go about adding stores?

- The key enablers in the process are: **Predictive modeling and data-driven site selection approach.**
- The site selection team meticulously evaluates potential catchment areas and micro-markets by analyzing a range of internal actionable insights from existing store data analysis as well as external data sources. This helps in deriving predictive sales and return models around potential sites.
- Polygons and delivery radius are then carefully mapped to ensure drive times according to the defined SOPs.
- The proposed sites are then processed through a layered evaluation and approval process which ensures robust checks and helps minimize store attrition.
- Through suitable interventions by cross-functional teams, JUBI has been able to reduce the time from inception to store launch.
- Every new store is then evaluated against forecasted sales and the feedback from the entire process is fed back into the system for making further improvements.

Details on the Fortressing strategy

- The mother store and the new store in its area, the split store, together have significantly higher revenue and EBITDA, and significantly improved customer experience and delivery times.
- This has directly translated into a significant increase in NPS numbers. It helps JUBI to create a virtuous cycle as operating costs go down, the logistics cost and therefore the supply chain costs reduce. In a nutshell, fortressing strategy is able to generate a stronger: a) revenue growth, b) EBITDA growth, and c) customer experience, as well as generate higher efficiencies with lower costs.

- The number of split stores being opened during a year has increased significantly to 90 new split stores in FY22 from five in FY18. Management believes that Like for Like (LFL) growth, which is the Same Store Sales Growth (SSSG) of non-split stores, is a more relevant comparator for the business as the company intends to continue executing its fortressing strategy. Domino's India's LFL stood at 26.4% in FY22.

New launches in Domino's

- Catering to the enormously diverse consumer food palette is the key to scaling up and offering superior value to consumers. Domino's India offers 40+ pizzas, 30+ sides, desserts and beverages.
- Fortifying Cheese and Chicken credentials with a range of:
 - Overloaded pizzas:
 - **Introduced a range of Cheese pizzas** – Cheesilicious. It has four times more cheese than a normal pizza
 - **Introduced a range of Chicken pizzas** – Chicken Lovers Range
- Platform extension for the two most popular categories – Garlic Bread and Lava Cake:
 - Launched a range of two new Stuffed Garlic Breads, the Paneer Tikka Stuffed Garlic Bread and the Chicken Pepperoni Stuffed Garlic Bread
 - Launched Red Velvet Lavalicious to offer incremental choice within the Desserts menu.

Exhibit 5: Focus on product innovation and platform extension

Year	Core Menu	Sides/Beverages
FY17	<ul style="list-style-type: none"> ❖ 4 Pizza Mania extremes: (Herby, Spicy, Cheesy and Loaded) ❖ Navratra Pizza combo ❖ Quattro Formaggi Burst Pizza ❖ Choco Pizza 	<ul style="list-style-type: none"> ❖ Burger Pizza
FY18	<ul style="list-style-type: none"> ❖ Paneer Makhani and Chicken Tikka Pizza 	<ul style="list-style-type: none"> ❖ Roasted Chicken Wings in Peri-Peri Seasoning & Classic Hot Sauce ❖ Boneless Chicken Wings in Peri-Peri & Lemon Pepper Seasoning\ ❖ Chicken Meatballs in Peri-Peri Seasoning & Sriracha Sauce
FY19	<ul style="list-style-type: none"> ❖ Introduced 'Multigrain Crust' ❖ 5 new international flavors 	<ul style="list-style-type: none"> ❖ Taco Mexicana ❖ Crinkle Fries ❖ Crunchy Strips ❖ Potato Cheese Shots and ❖ Brownie Fantasy
FY20	<ul style="list-style-type: none"> ❖ 10 international flavors with 'World Pizza League' ❖ 6 new pizzas under the 'All New Masala Pizzas' range 	<ul style="list-style-type: none"> ❖ 3 value-added beverages (Cola Twist, Lime Twist and Jamun Twist flavors)
FY21	<ul style="list-style-type: none"> ❖ Pasta Pizza Range ❖ The Unthinkable Pizza (India's first plant-based protein pizza) 	<ul style="list-style-type: none"> ❖ New range of Pastas
FY22	<ul style="list-style-type: none"> ❖ Overloaded Cheese Pizza Range ❖ Overloaded Chicken Pizza Range 	<ul style="list-style-type: none"> ❖ Range of two new Stuffed Garlic Breads, the Paneer Tikka Stuffed Garlic Bread and the Chicken Pepperoni Stuffed Garlic Bread ❖ Lavalicious Red Velvet

Source: MOFSL, Company

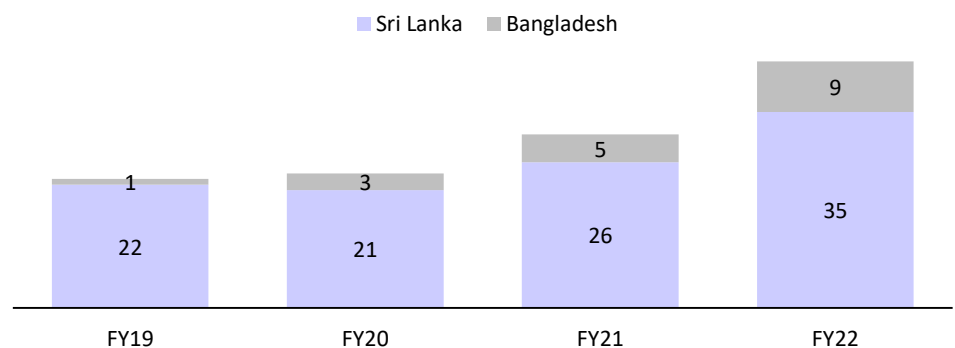
Improving customer service

- **Speed of delivering quality service:** The speed of delivering quality service to consumers is a key metric for the company. All business decisions are centered around how to further improve this key ask of all consumers. Being a QSR it brings inherent advantages but continuous improvements are effected in all systems and processes. During FY22, JUBI achieved a remarkable feat of delivering more than 70% of delivery orders in less than 20 minutes. An array of cross-functional projects was implemented to achieve lower delivery time. Concerted efforts were made to reduce the time taken to complete all sub-processes without hampering the output quality. This was supplemented by the deployment of technology, forecasting tools, manpower and efficient training programs.
- **EDV:** The EDV proposition for Domino's has helped consumers with affordable prices every day instead of a discount on selective days. During FY22, JUBI further democratized the EDV proposition by letting consumers choose any pizza irrespective of their price bands to avail the EDV discounts.
- **Targeted discounting:** The company's investments in building a robust CRM tool have helped enhance targeted discounts based on three broad vectors:
 - 1) Discount affinity
 - 2) Purchase propensity
 - 3) Responsiveness to discounts
- The focused discounts and promotions are helping JUBI drive conversions without offering an across-the board discount.

International expansion

- JUBI delivered its highest ever system sales with system sales growth of 80.9% in Sri Lanka. The pace of store expansion was accelerated with the opening of nine new stores, taking the total tally to 35 stores.
- The performance of Domino's Pizza in Bangladesh was encouraging. The system sales growth of 50.0% was aided by delivery growth of 65.9%. With four new store openings, the store count increased to nine in Bangladesh.

Exhibit 6: Continuous store expansion in international market



Source: MOFSL, Company

Augmenting digital and data strengths

- The company believes that digital and data strength are the most important determinant of business health and realizes that winning in the digital era requires a sustained program of continuous improvements and investments.
- The Product and Technology team while working in unison helps continually improve not only customer experience across all digital assets but is also working closely to help permeate technology and digital strength across the entire organization.
- During FY22, JUBI has worked on focused work streams aimed at improving customer experience and making the UI/UX more intuitive and frictionless.

Pre-order experience

- The company has developed one-step onboarding that helps reduce the number of steps required to onboard a new customer from five to one.
- This was made possible through significant reduction in tasks which were earlier conducted at the user end. This includes SIM number detection, OTP auto-read and location detection. This is currently in pilot mode and will be gradually rolled out to everyone.
- One-step onboarding is also the first step of JUBI's planned UX overhaul.
- Targeted interventions to enhance menu discovery and coupon visibility are helping improve conversions.
- Location tooltip enhancement to help users input the desired address for delivery and reduce instances of bad orders due to incorrect order location.

Post-order experience

- **Number masking:** With an intent to further enhance customer data security, JUBI switched to 100% masking of customer's personal number. In an eventuality when the customer needs to be contacted, the same familiarity and reliability of phone communication remains without the requirement of disclosing the personal number to the rider or the store insider.
- **Towards frictionless concern resolution:**
 - a) Several measures were taken during the year to salvage moments of service failure swiftly and help eliminate user concerns around refund status and reduce concerns resolution time are leading to improvement in NPS.
 - b) The launch of Automated Concern Resolution System is helping JUBI reduce the turnaround time significantly for resolving customer's concerns. This has been made possible by running real-time system checks for validation and subsequently taking suitable action.
 - c) JUBI successfully piloted an industry-first initiative of an instant-refund solution to the source account for failed orders or service delays.

Analytics and insights across the company ecosystem

- JUBI realizes that consumer expectations in the digital world are evolving rapidly. Accordingly, the focus remains on continuously strengthening the backend technology stack so as to have an agile, modular and scalable architecture that is well structured to help drive discontinuous growth. Efforts

are also being made to keep improving system responses on big celebratory days – which witness a sudden surge in traffic – and keep delighting customers in the journey.

- While there are several big wins achieved by JUBI on the digital front, there is a deep recognition of investments required to constantly improve all digital offerings and integrate digital assets even in offline channels.
- The Analytics and Insights function helps it analyze data streams almost on a real-time basis and get very sharp and actionable insights. There are four teams under A&I, which develop state-of-the-art data assets, data science capabilities, dashboards and analytics tools and help decision-makers anticipate and respond faster to emerging trends.
- The data engineering team is focused on building a real-time data platform that consolidates, standardizes and enriches data from internal operations and applications, consumer-facing assets and relevant external data that provide fresh insights and differentiation. The data platform enables leaders with real-time decision-making and allied recommendations.
- The Data Science team is building scalable AI/ML solutions that help them understand every customer uniquely, predict customers' future actions and prescribe the Next Best Action that helps in personalizing customer experience across every touchpoint. The team will also build forecasting and scenario planning capabilities that help in loss prevention, resource planning and optimization, which help provide best-in-class service levels to customers and optimize costs for business.
- The Business Intelligence teams develop dashboards to understand the health of the business and internal functions. The team builds diagnostic and analytics tools that help scale analytics across the organization.
- The Strategy and Insights team distil data to find opportunities and emerging trends. This helps the business priorities efforts, influence strategy and translate insights into actionable recommendations. The customer science engine tracks all customer interactions (orders, browsing behavior, CRM engagement, NPS scores and feedback etc.) and is then able to derive rich customer intelligence that helps understand what matters to the customers, how the customer engages, what are customers' latent behaviors and purchase drivers and what are likely future actions.
- The Customer Intelligence tool is then used to provide a meaningful experience to the customer on application and send personalized communications and offers. Today in Domino's app, the customer is shown a personalized menu based on the predicted preferences, which greatly helps reduce order time.

Information on franchised brands

Dunkin' pivots towards coffee

Globally, Dunkin' is one of the fastest-growing brands in Inspire Brands portfolio. The brand has renewed focus on beverage growth and a large part of the growth is now driven by espresso-based beverages. The brand pivots to good coffee at value pricing with the differentiator of fresh doughnuts is helping it to win a lot of young consumers and grow its brand franchise. The café market in India is expected to report an 8-10% CAGR and is likely to touch INR50b by 2024. Specialty coffee and tea are one of the fastest-growing categories and hence attract a lot of players. Dunkin' coffee pivot will help boost the brand to grow in a bigger category. During FY22, JUBI did extensive work on improving the quality of its coffee. Dunkin's medium roast 100% Arabica beans were tested against the top coffee retailers in India and Dunkin' coffee came up winning. The Dunkin' team was also strengthened by recruiting talent to execute strategy with greater impact.

Introduction of Popeyes

In FY22, JUBI introduced the iconic brand Popeyes to the chicken-loving Indian consumers with the launch of flagship restaurants in Bengaluru. Chicken is one of India's largest and fastest-growing categories and is forecasted to proliferate in years to come. Popeyes addition strategically complements JUBI's portfolio. The management is confident that it will help them build another profitable, sizeable, scalable business. In the medium term, they see a potential of opening around 250-300 Popeyes stores. The annual per capita consumption of broiler meat remains one of the lowest in the world. There are very limited brands in this underpenetrated category. The early experience suggests that consumers in India will love the strong Cajun flavors that have made Popeyes an iconic brand in the US. Popeyes has built its own in-house Delivery fleet with 100% use of E Bikes, enabling a zero-emission Delivery experience. Utilizing the in-house digital and application development capabilities, Popeyes has also set a new benchmark in the Indian Foodservice Industry by launching a dedicated application with the launch of its first store.

Homegrown brands

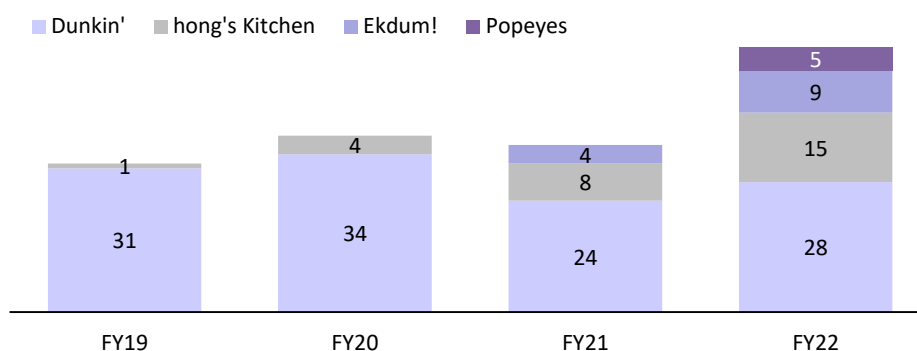
Hong's Kitchen

It is the Chinese QSR brand of JUBI. Chinese cuisine is India's second-largest cuisine. Hong's Kitchen will help build the Chinese QSR category as it addresses the vast gap and chasm between street-side vendors on one end and premium fine-dining restaurants on the other. The performance has been encouraging. It has now become the largest QSR chain within its segment in Delhi NCR with 15 operational stores across four cities and the company will now look to expand in other clusters.

Ekdum!

It offers the widest variety of biryanis from across India to choose from. Biryani is one of the largest food categories in the country, but one that is highly fragmented with very few national brands. Ekdum! started on a promising note. JUBI has nine Ekdum! restaurants across three cities.

Exhibit 7: New brand portfolio stores



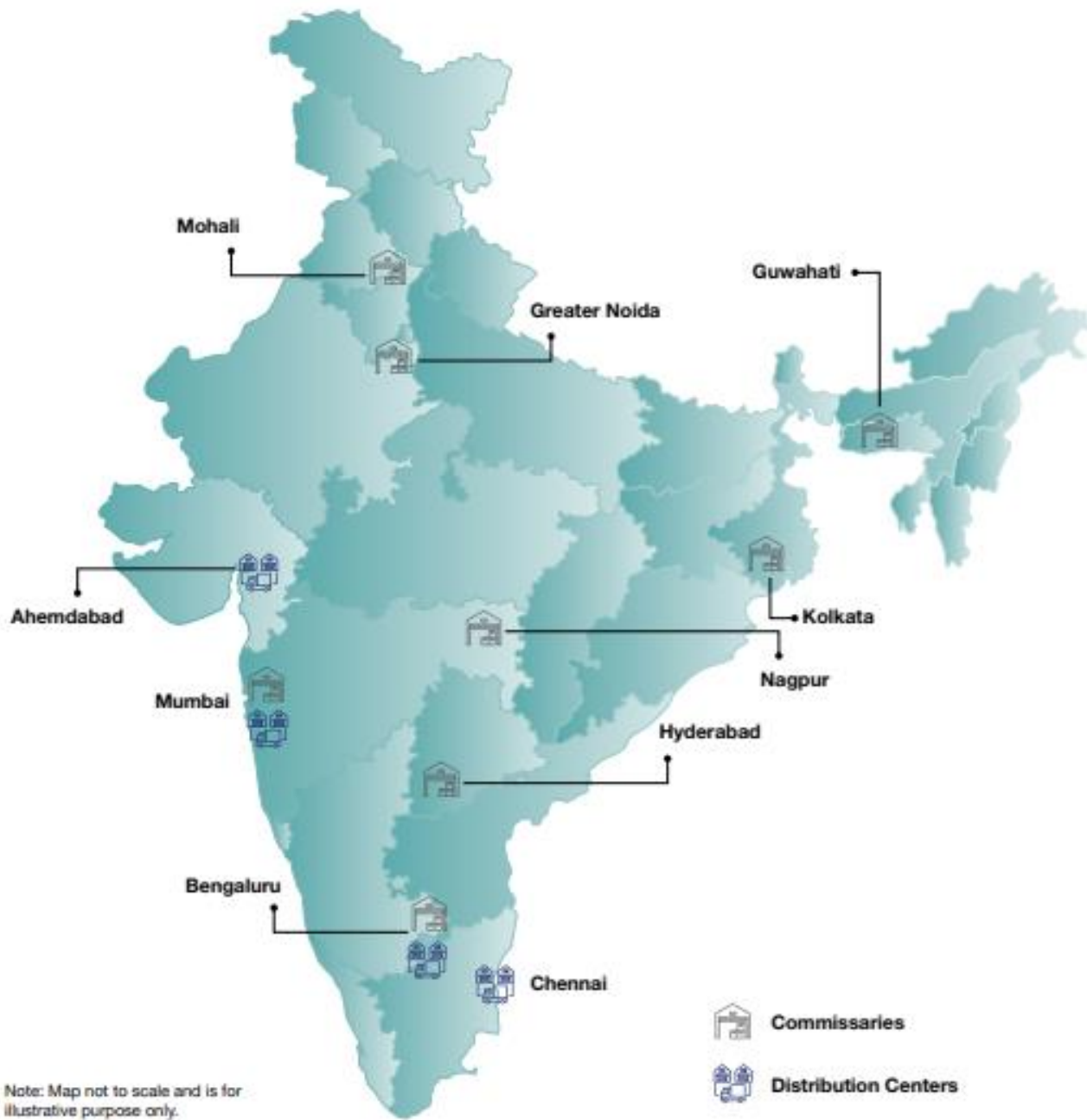
Source: MOFSL, Company

Capability development

- JUBI has a strong operational talent pool across its stores. Through a concerted effort of capability development across roles and through continuous engagement, it is able to spot and groom talent from stores.
- Riders who intend to build a longer career get groomed by the operations team. They are brought inside the stores, get trained on store processes, on the make line, and eventually they grow to become shift managers and store managers and further on.
- It continually invests in enhancing capabilities with the objective of building exceptional people leaders who can build high-performing teams. This is being achieved through group and individual coaching for leaders in collaboration with Hogan, organizing focused workshops and offering advanced management program opportunities to an identified cohort of employees.

Integrated supply chain

- JUBI places considerable emphasis on ensuring that it procures high-quality raw materials and equipment, enabling it to provide quality products to its customers. The company has eight commissaries and four distribution centers across India. These commissaries primarily manufacture food intermediaries, house central kitchens and act as fulfillment centers/warehouses for most other ingredients.
- The primary raw materials used in the preparation of its pizzas, such as cheese, vegetables and meat, are sourced and supplied to stores by the commissaries.
- This helps in ensuring consistent quality, adherence to strict food safety protocols and timely delivery of raw materials to stores.
- Centralized procurement through commissaries also allows the company to maximize leverage and negotiate better prices with suppliers.
- In addition, it has a dedicated cold-chain fleet that helps in ensuring timely delivery of raw materials to stores. These trucks are refrigerated to ensure that the ingredients are supplied in a temperature-controlled environment, which is monitored during transit to ensure quality and minimize wastage.

Exhibit 8: Commissaries and distribution centers spread across India

Source: Company

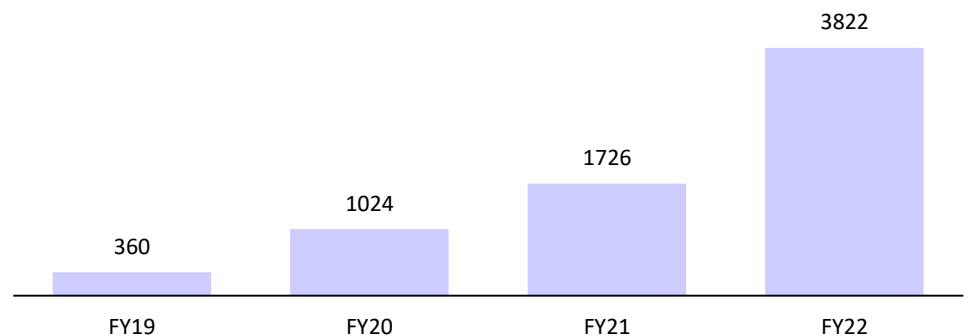
ESG Initiatives

- Improved cattle productivity and milk quality by supporting over 25,000 dairy farmers. Farmers are provided with extensive training and veterinary support which enhances their cattle's productivity through improved feeding, breeding and management practices
- 100% e-bikes for entire fleet of Popeyes.
- With 3,822 e-bikes, the share of EVs in Domino's fleet is now over 19%.
- JUBI publicly shares the nutritional parameters of all its food offerings across brands. Domino's uses fresh centrally produced dough using the standard global Domino's recipe. The pizza dough is also differentiated with added nutrients such as iron, folic acid and vitamin B12. Moreover, the thin crust base is made of

100% wheat flour. The company uses only 100% real mozzarella cheese prepared from pure milk.

- Responsible sourcing: JUBI also pioneered 100% adherence to the phase-wise planned implementation of policy on the usage of antibiotics in poultry bird's health management. The phase-wise implementation was as under:
 - **Phase 1:** Antibiotics not to be used as growth promoters and group-level Disease Prophylaxis; only permitted antibiotics to be used for disease treatment.
 - **Phase 2:** Move further to eliminate the usage of Highest Priority Critically Important Antimicrobials ("HPCIA") as defined by WHO, and continuously improve the vaccination program to prevent disease.
 - **Phase 3:** Limiting the usage of CIA to the second line of treatment, working continuously to reduce/eliminate the usage of antibiotics for disease management and digitally integrating farm-level data to enable surveillance and data analytics – toward continuous improvement in the bird health care program.
- The company also has a panel of five veterinarians to oversee the implementation of antibiotics policy and maintain the quality of raw chicken and ensure farm traceability.
- JUBI is continuously striving to procure the majority of its raw materials from sustainable sources. It has been procuring palm oil from RSPO certified sources and has become a member of I-SPOC (Sustainable Palm Oil Coalition of India), as a committed stakeholder in the palm oil supply chain in India.

Exhibit 9: Number of EVs increasing



Source: MOFSL, Company

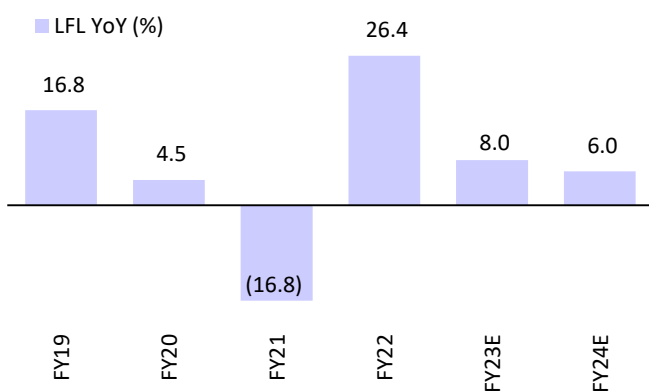
Food Safety and Quality Control

- High hygiene standards, food that is uncompromised on quality and taste, and consumer safety are JUBI's top priorities.
- It has developed sustainable systems and processes for ensuring the highest standards of food safety and hygiene. It also adheres to all applicable rules and regulations regarding the manufacture, storage, distribution of products and labeling information – under Food Safety and Standards – for all its food products, including legal metrology.
- It works with its partners and employees to ensure that there is no compromise on the taste, quality and safety of the products its consumers have come to love over the years.

- JUBI engages with local suppliers for flour, vegetables and pizza boxes across its supply chain centers. The company works closely with them to ensure that they adhere to the highest standards of food safety and hygiene.
- JUBI engages with more than 100 different MSME vendors and helps in their capacity building and quality enhancement through different modes such as quality audits and regular engagement.
- During the year, JUBI supported over 7,500 dairy farmers across 133 villages in Maharashtra who directly supply milk to the dairies from which the company procures cheese. These farmers are encouraged to adopt the best management practices for dairy farming to improve cattle productivity and the quality of milk.
- It has trained 25 food business operators on advanced manufacturing and COVID-19 module as an empanelled training partner with FSSAI.

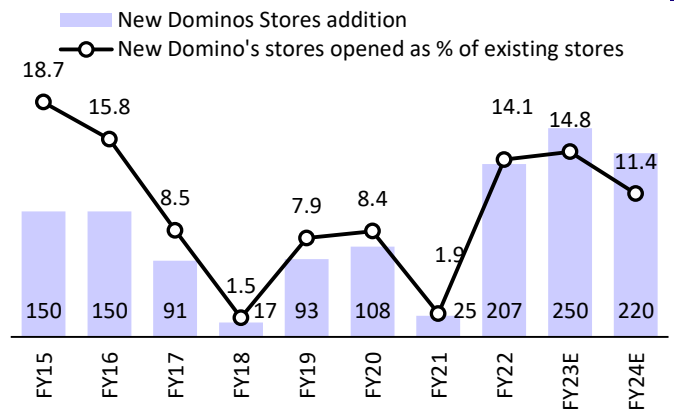
Operational highlights

Exhibit 10: Robust LFL growth



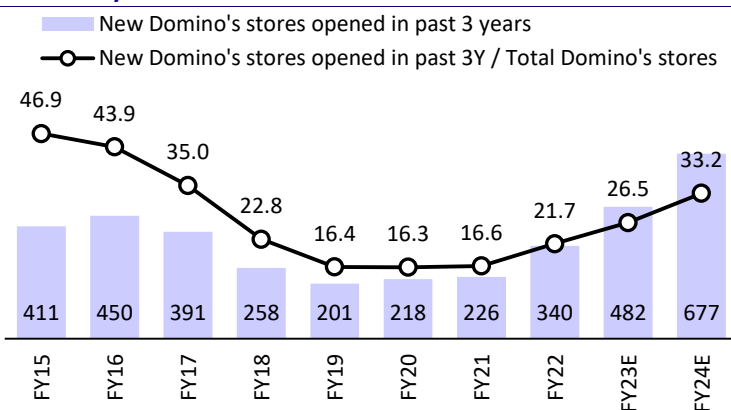
Source: Company, MOFSL

Exhibit 11: Pace of new store openings as a percentage of existing stores (avg. basis)



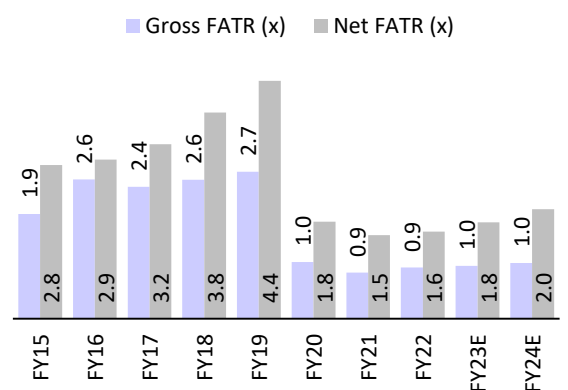
Source: Company, MOFSL

Exhibit 12: Pace of new store openings to existing stores over the past three years



Source: Company, MOFSL

Exhibit 13: Expect asset turns to remain stable

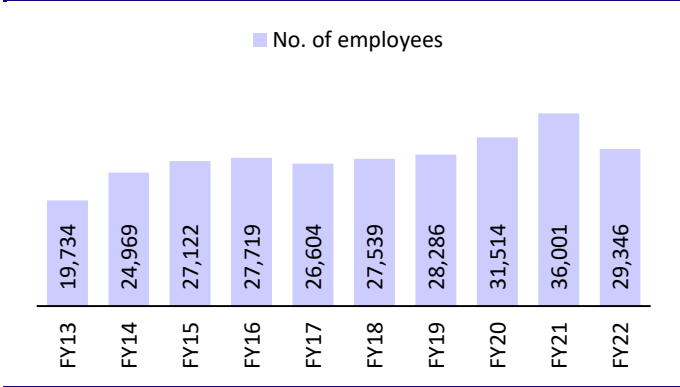


Source: Company, MOFSL

Number of employees decreased, but cost per employee increased in FY22

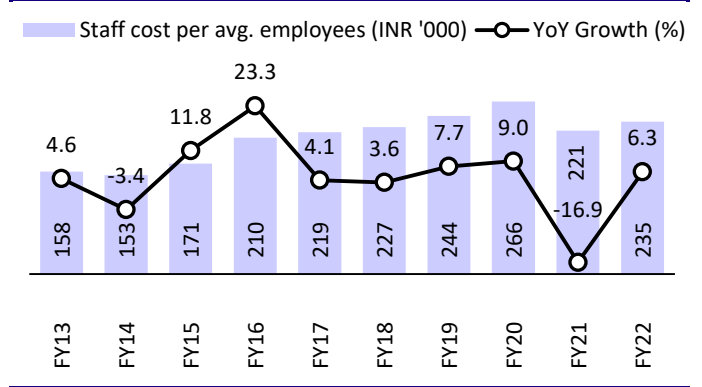
- The total number of employees decreased to ~29.3k in FY22 from ~36k in FY21.
- Average staff cost per employee rose 6.3%% YoY to ~235k.
- Revenue/EBITDA/PAT per average employee were largely on a rising trajectory except for the drop in FY21 due to the impact of the pandemic.

Exhibit 14: JUBI reduced 6,655 employees in FY22



Source: Company, MOFSL

Exhibit 15: Cost per average employee rebounded after falling sharply in FY21



Source: Company, MOFSL

Exhibit 16: Employee mix in FY22



Source: Company, MOFSL

Annexure – Other key charts and tables

Exhibit 17: Foreign exchange earnings and outgo

(INR m)	FY21	FY22
Foreign exchange earned in terms of actual inflows (FOB basis)	34.7	55.2
Foreign exchange outgo in terms of actual outflows (FOB basis)	812.2	1679.1
Net inflow/(outflow)	(777.5)	(1623.9)

Source: Company, MOFSL

Exhibit 18: CSR spends

(INR m)	FY21	FY22
Budget per project or program-wise	81.8	83.0
Amount spent on projects or program-wise	82.0	82.6

Source: Company, MOFSL

Exhibit 19: Ratio of remuneration of the directors to the median remuneration of employees

Name	Designation	Remuneration during FY22 (INR m)	Change (YoY %)	Ratio of remuneration to median remuneration
Mr. Shyam S. Bhartia ^{#1}	Chairman and Director	-	-	-
Mr. Hari S. Bhartia	Co-Chairman and Director	2.0	14.04	11.76
Ms. Aashti Bhartia	Non-Executive Director	1.6	1.92	9.24
Mr. Abhay Prabhakar Havaladar	Independent director	2.1	22.06	12.02
Mr. Ashwani Windlass	Independent director	2.2	22.13	12.95
Mr. Berjis Minoos Desai	Independent director	1.9	18.71	11.21
Ms. Deepa Misra Harris	Independent Director	2.0	17.89	11.64
Mr. Pratik R. Pota ^{#2}	CEO and Whole-time Director	92.8	-24.53	537.47
Mr. Shamit Bhartia	Non-Executive Director	1.8	7.21	10.34
Mr. Vikram Singh Mehta	Independent director	2.2	16.4	12.54
Mr. Ashish Goenka ^{#3}	EVP and CFO	30.2	NA	NA
Ms. Mona Aggarwal ^{#4}	Company Secretary	25.2	117.93	NA

Source: Company, MOFSL

#1 Opted not to take sitting fees and commission

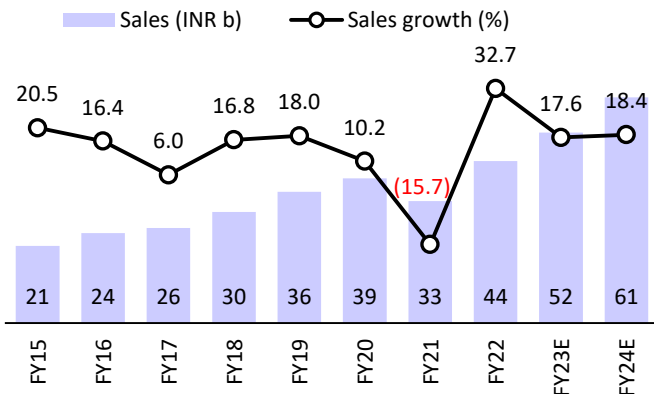
#2 Resigned as CEO & WTD w.e.f. close of business hours of June 15, 2022. Remuneration includes ESOP perquisites of INR25.6m for FY22 (previous year of INR70.2m) due to which the % increase in remuneration is negative. However, % increase in remuneration excluding ESOP perquisites is approx. 27%.

#3 Appointed as EVP & CFO w.e.f. February 17, 2021. Hence % increase in remuneration in FY22 is not applicable.

#4 Remuneration includes ESOP perquisites of INR17.6m for FY22 (previous year of INR5.6m) due to which the % increase in remuneration is significantly high. However, % increase in remuneration excluding ESOP perquisites is approx. 28%.

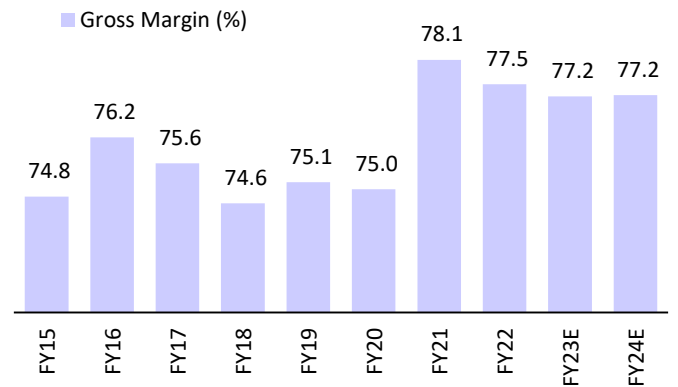
Financial performance

Exhibit 20: Expect 18.0% revenue CAGR over FY22-24



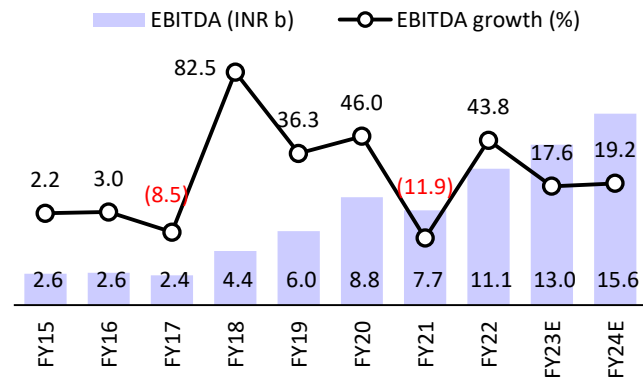
Source: Company, MOFSL

Exhibit 21: Gross margin to remain robust



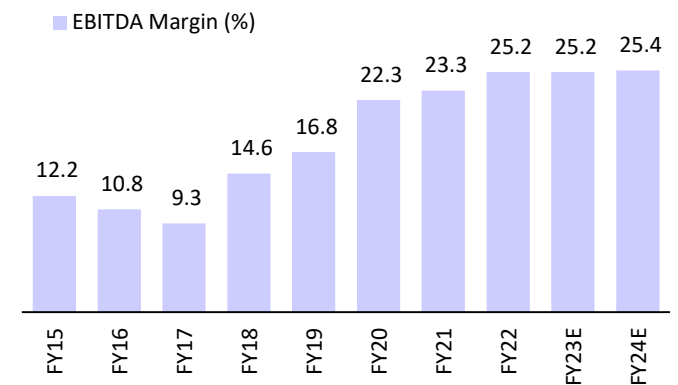
Source: Company, MOFSL

Exhibit 22: Expect 18.4% EBITDA CAGR over FY22-24



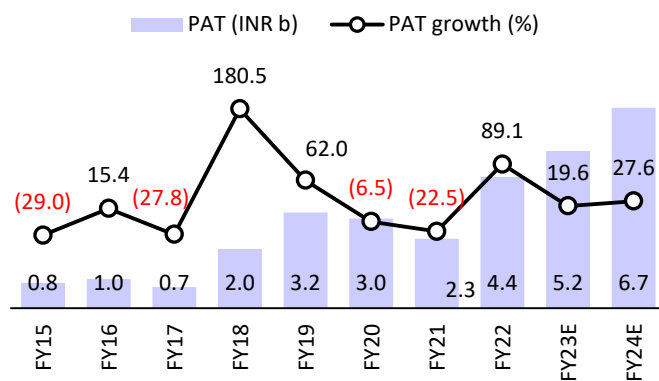
Source: Company, MOFSL

Exhibit 23: Expect EBITDA margin to remain at ~25% level



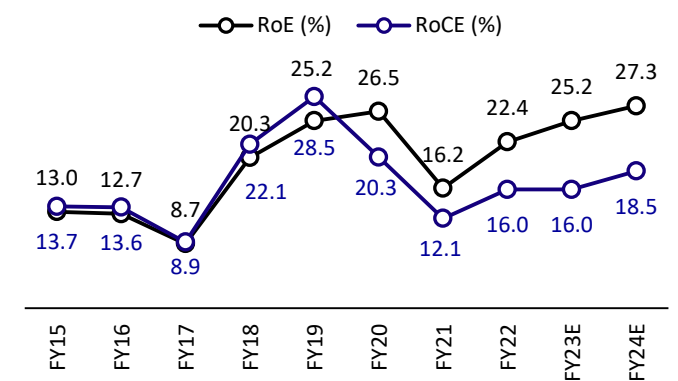
Source: Company, MOFSL

Exhibit 24: Expect 23.6% PAT CAGR over FY22-24



Source: Company, MOFSL

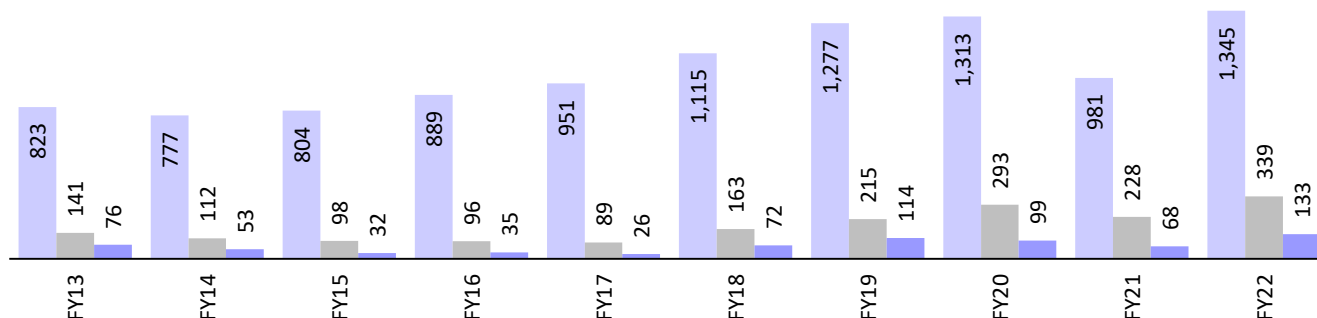
Exhibit 25: Expect RoCE to improve further



Source: Company, MOFSL

Exhibit 26: Revenue, EBITDA and PAT per employee (on an average basis) increase in FY22 post-decline in FY21

■ Revenue per avg. employees (INR '000) ■ EBITDA per avg. employees (INR '000) ■ PAT per avg. employees (INR '000)



Source: Company, MOFSL

Analysis of key components of other expenses

- As a percentage of sales, **rent** saw a sharp rise (70bp YoY). During FY21, the company was able to negotiate several rent concessions in view of the pandemic-led lockdowns. However, this benefit might have ended in FY22.
- **Advertising spends** stood at 7.0% of sales in FY22, down 140bp YoY; while absolute spends rose 10.9% YoY to INR3.1b. The growth in FY22 sales, however, minimized this effect.
- JUBI did well to keep **miscellaneous/other expenses** in check during FY22.

Exhibit 27: Key components of other expenses

Other expenses as a percentage of sales (INR m)	FY17	FY18	FY19	FY20	FY21	FY22
Manufacturing expenses	9.6	9.0	8.7	8.2	9.7	9.0
Rent	11.7	10.6	9.7	2.1	0.4	1.1
Freight and delivery	3.0	2.8	3.0	3.0	3.3	6.2
Ad-spends	5.7	4.9	4.9	6.4	8.4	7.0
Franchisee fee	3.3	3.3	3.5	3.5	2.5	3.5
Repairs, rates, and taxes	3.1	2.8	2.7	2.7	3.1	2.6
Personnel expenses	23.0	20.3	19.1	20.3	22.6	17.5
Misc. expenses	3.7	3.5	3.5	3.3	2.3	2.4
Other expenses	3.1	2.9	3.2	6.2	5.2	6.0
Total expenses	66.2	60.0	58.3	55.8	57.4	55.3

Source: Company, MOFSL

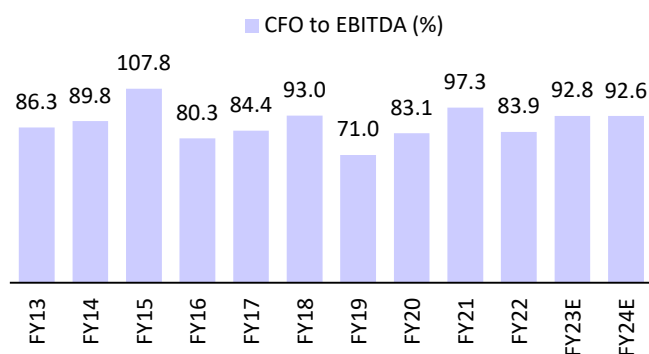
- **Strong working capital management and FCF to continue:** Given its business model, JUBI's cash conversion cycle (CCC) has remained negative over the years. Apart from this, its CFO (before taxes) has consistently remained healthy v/s EBITDA. Despite the capex, it has reported a strong free cash flow (FCF) over the years (except FY14-17). All of these imply that JUBI has been able to manage its working capital efficiently. We expect a similar trend going forward.

Exhibit 28: JUBI's NWC days remain efficient, improving by nine days YoY on an average in FY22

Cash conversion cycle	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Average days										
Inventory days	6	6	7	7	8	8	7	8	13	12
Debtor days	2	2	2	2	2	2	2	2	2	2
Creditor days	32	34	38	41	43	43	41	40	54	44
Cash conversion cycle	-25	-26	-30	-32	-33	-33	-32	-30	-40	-31
Year-end days										
Inventory days	6	7	8	8	9	8	8	9	15	13
Debtor days	2	2	2	2	2	2	3	2	2	2
Creditor days	36	38	45	44	44	47	43	42	59	45
Cash conversion cycle	-28	-30	-35	-34	-34	-37	-32	-31	-42	-29

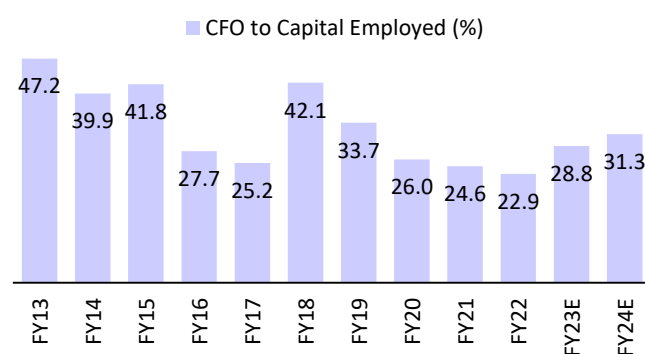
Source: Company, MOFSL

Exhibit 29: Strong CFO to EBITDA ratio due to better working capital management



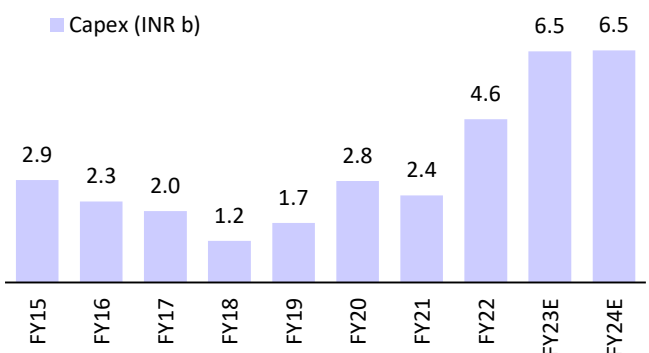
Source: Company, MOFSL

Exhibit 30: JUBI utilizes resources efficiently to generate consistent returns over the years



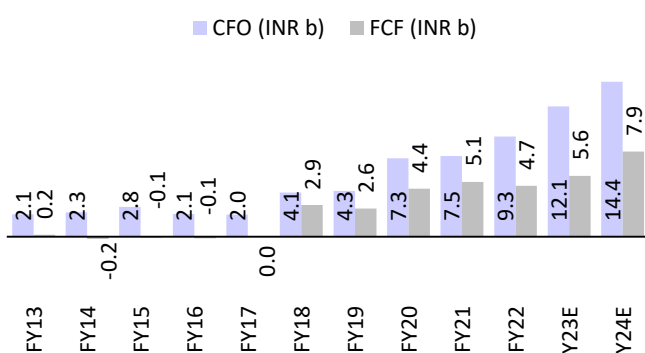
Source: Company, MOFSL

Exhibit 31: Despite continuous capex...



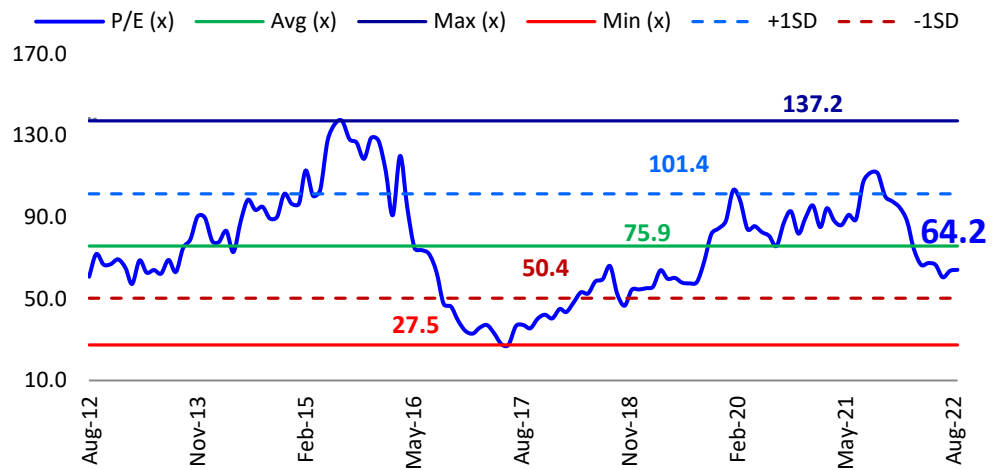
Source: Company, MOFSL

Exhibit 32: ...JUBI is likely to generate steady FCF



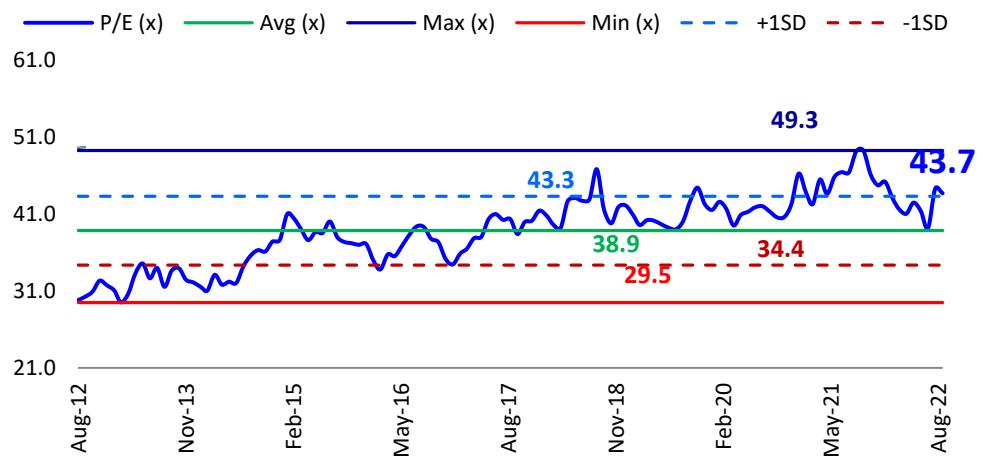
Source: Company, MOFSL

Exhibit 33: JUBI's P/E (x)



Source: Company, MOFSL

Exhibit 34: Consumer P/E



Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023E	2024E	
Net Sales	30,184	35,631	39,273	33,119	43,961	51,693	61,213	
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	
Gross Profit	22,524	26,770	29,438	25,856	34,062	39,901	47,268	
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	
EBITDA	4,401	5,998	8,756	7,712	11,088	13,044	15,554	
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	557	
PBT	3,031	4,897	4,277	3,062	5,810	6,969	8,895	
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	2,242	
Tax Rate (%)	35.3	35.1	30.5	24.7	25.0	25.2	25.2	
Adjusted PAT	1,962	3,180	2,974	2,305	4,358	5,213	6,653	
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	
Reported PAT	1,962	3,180	2,788	2,305	4,181	4,947	6,653	

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	19,337	23,087	
Net Worth	9,677	12,596	11,220	14,268	19,450	20,657	24,407	
Loans	30	9	16,711	16,205	21,061	21,272	21,484	
Capital Employed	9,708	12,631	28,038	30,567	40,612	42,029	45,992	
Gross Block	11,748	13,107	37,507	38,954	46,604	52,988	59,392	
Less: Accum. Depn.	3,838	5,007	15,619	17,499	19,238	23,921	29,187	
Net Fixed Assets	7,910	8,100	21,887	21,455	27,366	29,067	30,204	
Lease Deposits	1,776	2,056	1,719	2,086	1,729	3,072	3,616	
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	
Curr. Assets, L&A	2,525	6,441	8,417	7,843	8,463	5,773	8,540	
Inventory	642	771	947	1,331	1,612	1,615	1,910	
Account Receivables	157	274	166	168	220	349	416	
Cash and Bank Balance	1,290	4,943	6,559	5,392	5,634	2,669	4,886	
Others	437	454	745	952	997	1,139	1,328	
Curr. Liab. and Prov.	4,710	5,426	5,661	7,101	7,205	8,293	9,936	
Other Current Liabilities	656	915	868	1,299	1,384	1,524	1,828	
Creditors	3,890	4,209	4,470	5,330	5,370	6,228	7,458	
Provisions	164	303	322	471	451	541	650	
Net Curr. Assets	-2,184	1,015	2,757	743	1,258	-2,520	-1,396	
Appl. of Funds	9,708	12,631	28,038	30,567	40,612	42,029	45,992	

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Basic (INR)							
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	31.3	37.0
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	189.8	117.2	125.2	161.6	85.5	71.5	56.0
EV/Sales	12.2	10.3	9.3	10.9	8.2	7.0	5.8
EV/EBITDA	83.8	61.0	41.7	46.9	32.4	27.6	22.9
P/BV	38.5	29.6	33.2	26.1	19.2	18.0	15.3

Return Ratios (%)

RoE	20.3	25.2	26.5	16.2	22.4	25.2	27.3
RoCE	22.1	28.5	20.3	12.1	16.0	16.0	18.5
RoIC	30.6	50.4	27.7	14.8	23.9	23.7	27.7

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	44	44
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
(INR m)							
OP/(loss) before Tax	3,031	4,897	4,028	3,062	5,633	6,969	8,895
Int./Div. Received	-120	-165	1,665	1,465	1,852	-458	-557
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	2,242
Incr in WC	-912	14	82	-509	410	-814	-1,093
CF from Operations	4,091	4,256	7,278	7,506	9,300	12,102	14,405
Extraordinary Items	0	0	0	0	0	0	0
Incr in FA	-1,160	-1,657	-2,830	-2,427	-4,563	-6,454	-6,484
Free Cash Flow	2,931	2,600	4,448	5,080	4,738	5,648	7,922
Others	48	262	281	-2,850	-753	-2,350	442
Pur of Investments	-1,695	958	1,502	-510	-676	-2,081	-1,077
CF from Invest.	-2,808	-437	-1,047	-5,786	-5,992	-10,886	-7,119
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
CF from Fin. Activity	-347	-167	-4,614	-2,887	-3,066	-4,180	-5,070
Incr/Decr of Cash	936	3,652	1,616	-1,167	242	-2,964	2,217
Add: Opening Balance	354	1,290	4,943	6,559	5,392	5,634	2,669
Closing Balance	1,290	4,943	6,559	5,392	5,634	2,669	4,886

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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