

# Jubilant FoodWorks

## Estimate changes

### TP change

### Rating change



|                       |             |
|-----------------------|-------------|
| Bloomberg             | JUBI IN     |
| Equity Shares (m)     | 660         |
| M.Cap.(INRb)/(USDb)   | 301.3 / 3.7 |
| 52-Week Range (INR)   | 707 / 441   |
| 1, 6, 12 Rel. Per (%) | -8/-20/-34  |
| 12M Avg Val (INR M)   | 2247        |

## Financials & Valuations (INR b)

| Y/E March         | 2023E | 2024E | 2025E |
|-------------------|-------|-------|-------|
| Sales             | 51.1  | 58.7  | 68.5  |
| Sales Gr. (%)     | 16.2  | 15.0  | 16.6  |
| EBITDA            | 11.9  | 13.5  | 16.4  |
| EBITDA Margin (%) | 23.3  | 23.0  | 24.0  |
| Adj. PAT          | 4.2   | 5.0   | 6.7   |
| Adj. EPS (INR)    | 6.4   | 7.6   | 10.1  |
| EPS Gr. (%)       | -3.5  | 19.8  | 32.6  |
| BV/Sh.(INR)       | 29.8  | 33.0  | 36.1  |

## Ratios

|            |      |      |      |
|------------|------|------|------|
| RoE (%)    | 21.4 | 23.1 | 28.0 |
| RoCE (%)   | 13.9 | 15.4 | 18.6 |
| Payout (%) | 50.2 | 57.6 | 69.2 |

## Valuation

|                              |      |      |      |
|------------------------------|------|------|------|
| P/E (x)                      | 71.6 | 59.8 | 45.1 |
| P/BV (x)                     | 15.3 | 13.8 | 12.6 |
| EV/EBITDA (x)                | 24.3 | 21.4 | 17.3 |
| Pre-IND AS 116 EV/EBITDA (x) | 35.9 | 31.7 | 25.2 |

## Shareholding pattern (%)

| As On    | Dec-22 | Sep-22 | Dec-21 |
|----------|--------|--------|--------|
| Promoter | 41.9   | 41.9   | 41.9   |
| DII      | 20.7   | 19.9   | 11.5   |
| FII      | 27.2   | 28.8   | 40.0   |
| Others   | 10.2   | 9.3    | 6.6    |

FII Includes depository receipts

**CMP: INR457**

**TP: INR575 (+26%)**

**Buy**

## LFL disappoints, leading to EBITDA miss; recovery to take time

- Sales and gross profit marginally missed our estimates. Weak operating leverage as a result of flat LFL (v/s our expectation of 6%) led to EBITDA margin of 22%, v/s our expectation of 24.5%, thereby leading to 14% miss on EBITDA.
- Sameer Khetarpal, the new CEO announced his plans to focus on value (introduction of Every Day Value Pizza at INR49), improving dine-in experience by re-imaging stores rapidly, introducing cost saving measures and building on the excellent response that they have received in their recently launched loyalty program (~10m customers contributing ~40% of business in Dec'22). LFL growth recovery and material cost reduction are expected to take some time, putting pressure on near-term earnings.
- JUBI's own delivery system, back-end advantages, robust balance sheet, and now the loyalty program all provide the company a competitive edge, leading to a healthy topline and earnings growth in the medium term. We reiterate our **Buy** rating on the stock.

## LFL growth and margins weaker than expectation

- Jubilant Foodworks (JUBI) reported sales growth of 10.3% YoY to INR13.2b (est. INR13.7b) with **LFL growth at 0.3% YoY** (est. 6%).
- **Store Network:**
  - **Dominos:** Opened 60 new Domino's Pizza stores and closed one leading to 1,760 stores at the end of 3QFY23. Opened in 16 new cities during the quarter to expand its reach to 387 cities across India.
  - **Dunkin' Donuts:** It did not add or close any store, keeping the number of stores at 24.
  - **Hong's Kitchen and Ekdum!:** It closed two stores, taking the number of stores at the end of 3QFY23 to 18 stores.
  - **Popeyes:** JUBI opened four new Popeye's stores during the quarter taking the total to 12 stores.
- Gross margin was down 210bp YoY/70bp QoQ to 75.5% (est.75.3%).
- EBITDA declined 8.6% YoY to INR2.9b (est. INR3.4b).
- **Higher staff cost (up 200bp YoY) and other expenses (up 40bp YoY) led to EBITDA margin contraction of ~460bp YoY to 22%** (est. 24.5%).
- Adj. PAT was declined 35.5% YoY to INR886m (est. INR1.3b).
- 9MFY23 sales/EBITDA Adj. PAT grew 21.1%/11.3%/2.1% to INR38.4b/INR9.1b/INR3.4b, respectively.

## Highlights from the management commentary

- **Demand environment** – Although the festive season witnessed record revenue, there was sharp deceleration in Nov'22. Dec'22 was better than Nov'22; however, lower than expectations and trends in Jan'23 was similar to Dec'22.

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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.

- **Costs and margins** – The management indicated that near-term margins are likely to be under pressure, led by gradual recovery in LFL growth and reduction in material costs. They do believe that they have hit a trough on EBITDA margins.
- **Key initiatives under the new CEO:** (a) Re-imaging of stores rapidly; (b) introducing Everyday value SKU at INR49 as a dine-in only proposition; (c) building on the company's technological and delivery moat over peers. The decision to pull the plug on Ek dum Biryani and Chef Boss range of products is also a welcome move from a focus perspective.

#### Valuation and view

- Changes to our model have led to 15%/16%/6% reduction in our FY23/FY24/FY25 EPS forecasts, respectively. The reduced estimates is a result of the EBITDA miss in 3QFY23 as well as likely subdued numbers over the next couple of quarters, led by inflationary pressures affecting discretionary demand and raw material cost pressures from cheese and wheat.
- The new CEO's efforts on improving dine-in LFL growth, decision not to take price increases for a transient high cost environment in wheat and cheese, building the technological and analytical edge of JUBI are welcome moves that will create value in the medium term.
- Longer-term opportunity in QSR remains immense and JUBI with its moats is poised to take advantage of the same. Valuations, after a steep stock price correction of ~45% from its peak appear reasonable at ~25x FY25 EV/EBITDA for a business that can compound earnings at ~20% and has ROE levels superior to QSR peers and other retail companies. We reiterate our Buy rating with a TP of INR575 (premised on 32x FY25 Pre Ind-AS EBITDA).

#### Quarterly standalone performance

| Y/E March              | FY22  |        |        |        | FY23   |        |        |        | Consol. | Consol. | FY23   | (INR m)  |
|------------------------|-------|--------|--------|--------|--------|--------|--------|--------|---------|---------|--------|----------|
|                        | 1Q    | 2Q     | 3Q     | 4Q     | 1Q     | 2Q     | 3Q     | 4QE    | FY22    | FY23E   | 3QE    | Var. (%) |
| No of stores (Dominos) | 1,380 | 1,435  | 1,495  | 1,567  | 1,625  | 1,701  | 1,760  | 1,817  | 1,567   | 1,817   | 1,761  |          |
| LFL growth (%)         | 120.4 | 29.4   | 7.5    | 5.8    | 28.3   | 8.4    | 0.3    | 0.0    | 26.4    | 8.0     | 6.0    |          |
| Net Sales              | 8,790 | 11,007 | 11,935 | 11,579 | 12,403 | 12,868 | 13,166 | 12,631 | 43,961  | 51,068  | 13,725 | -4.1%    |
| YoY change (%)         | 131.1 | 36.6   | 12.9   | 12.9   | 41.1   | 16.9   | 10.3   | 9.1    | 32.7    | 16.2    | 15.0   |          |
| Gross Profit           | 6,788 | 8,613  | 9,262  | 8,905  | 9,514  | 9,811  | 9,937  | 9,469  | 34,062  | 38,732  | 10,335 | -3.9%    |
| Gross margin (%)       | 77.2  | 78.2   | 77.6   | 76.9   | 76.7   | 76.2   | 75.5   | 75.0   | 77.5    | 75.8    | 75.3   |          |
| EBITDA                 | 2,115 | 2,860  | 3,174  | 2,897  | 3,045  | 3,125  | 2,900  | 2,822  | 11,088  | 11,892  | 3,366  | -13.8%   |
| EBITDA growth %        | 778.7 | 33.2   | 13.9   | 16.2   | 44.0   | 9.2    | -8.6   | -2.6   | 43.8    | 7.3     | 6.1    |          |
| Margins (%)            | 24.1  | 26.0   | 26.6   | 25.0   | 24.6   | 24.3   | 22.0   | 22.3   | 25.2    | 23.3    | 24.5   |          |
| Depreciation           | 890   | 902    | 1,006  | 1,031  | 1,050  | 1,123  | 1,298  | 1,229  | 3,931   | 4,701   | 1,210  |          |
| Interest               | 418   | 416    | 446    | 450    | 459    | 485    | 501    | 499    | 1,761   | 1,945   | 490    |          |
| Other Income           | 80    | 93     | 109    | 124    | 106    | 103    | 93     | 76     | 414     | 378     | 135    |          |
| PBT                    | 887   | 1,635  | 1,831  | 1,539  | 1,642  | 1,619  | 1,194  | 1,170  | 5,810   | 5,625   | 1,801  | -33.7%   |
| Tax                    | 206   | 407    | 457    | 374    | 366    | 428    | 309    | 316    | 1,452   | 1,417   | 468    |          |
| Rate (%)               | 23.2  | 24.9   | 25.0   | 24.3   | 22.3   | 26.4   | 25.8   | 27.0   | 25.0    | 25.2    | 26.0   |          |
| Adjusted PAT           | 681   | 1,228  | 1,374  | 1,165  | 1,276  | 1,192  | 886    | 854    | 4,358   | 4,207   | 1,333  | -33.5%   |
| YoY change (%)         | L/P   | 59.6   | 9.8    | 11.7   | 87.3   | -2.9   | -35.5  | -26.7  | 89.1    | -3.5    | -3.0   |          |

E: MOFSL Estimates

**Key Performance Indicators**

| Y/E March             | FY22  |       |       |      | FY23  |      |       |
|-----------------------|-------|-------|-------|------|-------|------|-------|
|                       | 1Q    | 2Q    | 3Q    | 4Q   | 1Q    | 2Q   | 3Q    |
| <b>2Y CAGR (%)</b>    |       |       |       |      |       |      |       |
| LFL (2Y average)      | 29.5  | 5.3   | 3.7   | 9.8  | 74.4  | 18.9 | 3.9   |
| Sales                 | -3.3  | 5.5   | 6.1   | 13.6 | 80.6  | 26.4 | 11.6  |
| EBITDA                | -1.7  | 10.3  | 11.9  | 30.7 | 255.7 | 20.7 | 2.0   |
| PAT                   | -4.5  | 17.8  | 15.1  | 60.5 | -     | 24.5 | -15.9 |
| <b>% of Sales</b>     |       |       |       |      |       |      |       |
| COGS                  | 22.8  | 21.8  | 22.4  | 23.1 | 23.3  | 23.8 | 24.5  |
| Operating Expenses    | 53.2  | 52.3  | 51.0  | 51.9 | 52.2  | 52.0 | 53.4  |
| Depreciation          | 10.1  | 8.2   | 8.4   | 8.9  | 8.5   | 8.7  | 9.9   |
| <b>YoY change (%)</b> |       |       |       |      |       |      |       |
| COGS                  | 139.5 | 40.1  | 16.5  | 15.7 | 44.3  | 27.7 | 20.8  |
| Operating Expenses    | 71.4  | 37.0  | 10.9  | 10.1 | 38.4  | 16.2 | 15.6  |
| Other Income          | -36.7 | -70.2 | -29.8 | 13.0 | 31.9  | 10.9 | -14.5 |
| EBIT                  | L/P   | 75.3  | 13.5  | 14.2 | 62.9  | 2.2  | -26.1 |

E: MOFSL Estimates

**Highlights from the press release and investor presentation**

- Delivery channel registered 9.9% YoY growth, led by orders and partially offset by a decline in ticket.
- Dine-in and Takeaway channels combined registered a 9.8% YoY growth, driven by an increase in ticket and orders.
- In Dec'22, JUBI announced the launch of 20-minute delivery for Domino's in 14 cities across 20 zones.
- The enrolment to loyalty program, "Domino's Cheesy Rewards", crossed 10.6m and the loyalty order contribution reached 39% in Dec'22.
- The quarterly app downloads scaled a new high at 9.4m. The MAU for the quarter at 11.3m registered a 22.7% growth YoY.
- **International business:**
  - In **Sri Lanka**, JUBI delivered its highest ever sales and new store additions. The system sales growth stood at 24.9% YoY and it opened seven new stores taking the network strength to 47 stores.
  - In **Bangladesh**, system sales grew 44.7% YoY and opened two new outlets, taking the store count to 13 stores.

**Highlights from the management commentary****Performance and outlook**

- The festive season witnessed record revenue, but there was some deceleration in Nov-Dec'22. However, Dec'22 was better than Nov'22, although it was lower than management expectation. There was no significant demand change in Jan'23 v/s Dec'22. Nov'22 was an aberration.
- In a high inflationary environment, customer gravitates to lower price point products.

**New CEO strategy and priorities**

- The top most priority for the new CEO is to revive LFL growth. Target LFL is 6-8% in the medium term.
- There will be greater focus on core business going forward. Sunsetting two businesses i.e. Chef Boss and Ek dum Biryani.
- As the new CEO believes that dine-in orders have to grow at an accelerated pace to increase LFL growth, he has introduced some initiatives including:

- Reminaging of stores rapidly,
- Introducing an everyday value pack at INR49 as a dine-in only proposition; the bill value per order will not go down materially on INR49 pizza.
- The new CEO is very pleased with the success of 20-minute delivery.
- Over the past four months, he has understood that the key priorities are:
- the approach should be customer and market first approach. Multi brand, multi cuisine, multi day part and customization across regions,
- they need to grow Popeyes and capture a greater share of the Chinese market with Hong's Kitchen,
- be future ready with the digital and technology ecosystem,
- become the employer of choice.
- Key customer feedbacks was that delivery component was good but JUBI was not the first choice in dine-in; some feedback was also received on lower value proposition after introduction of delivery charge and price increases. Hence, they have introduced Every Day value pack at INR49 and reimagining of old stores.
- Any product the company launches is not expected to dilute operating margins. Gross margin revival is more a function of decline in cheese costs.
- He believes that they have hit trough on margins.
- Back-end and front-end capabilities on delivery enable better cost competitiveness v/s peers.
- Delivery:dine proportion is currently at 66:34 and he intends to take this ratio to 60:40 in the near term.

#### **Input costs and margin**

- Dairy prices, especially cheese is at its highest in the past decade. Wheat is also witnessing decadal high inflation.
- The management expected softening in the input costs after the festive season, which usually happens in 3Q, but it did not happen on cheese this time.
- The management is not planning any price increases.
- New store impact on EBITDA margins is negligible at 20bp and it was not a factor behind low margins for the quarter.
- Marketing investments were higher during the quarter.
- EBITDA margin is targeted at 23-25% in the medium term.

#### **Loyalty program and other initiatives**

- Cheesy Rewards Loyalty program enrolments crossed 10.6m and order contribution from them stood at ~39% in Dec'22.
- The company has received phenomenal early response to this newly launched program.
- High frequency and medium frequency customer contribution is at an all-time high and technology investments are paying off.
- Loyalty program rewards to customers are booked as discounts.
- Loyalty program is not margin dilutive.

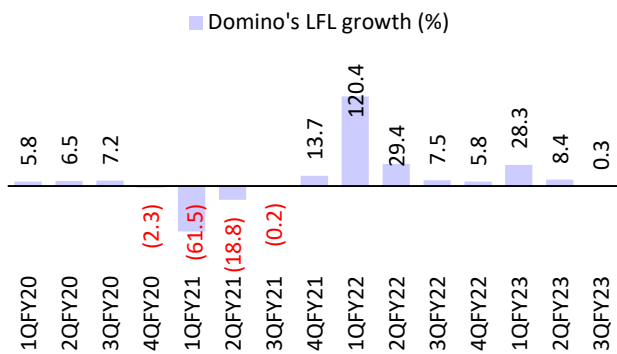
#### **Other points**

- They added 60 stores during the quarter and are now present in 387 towns with 1,814 stores. The management stated that it can eventually go to 600 towns.
- Popeye's has expanded to Chennai as well after adding 12 stores in Bangalore.

- Hong's Kitchen response has been very good on repeat rates and customer reviews.
- Ratio of split stores is coming down to 30%.
- The management believes it can expand ~200-250 stores annually without impacting EBITDA margins.
- Smaller cities are higher dine-in focus and the payback is also faster at around two years, despite lower ADS v/s metro cities.
- Depreciation in 3QFY23 was higher than usual as the management accelerated depreciation on two businesses that they are winding down, i.e., Ekdam Biryani and Chef Boss.
- Bangalore commissary will have a capex of INR2.5b and will be operational from 1QFY24 onwards. Consequently, will see slightly elevated levels of capex for the next two to three years before it normalizes. Capex is expected to be between INR6.5b and 7b in FY23 and FY24.

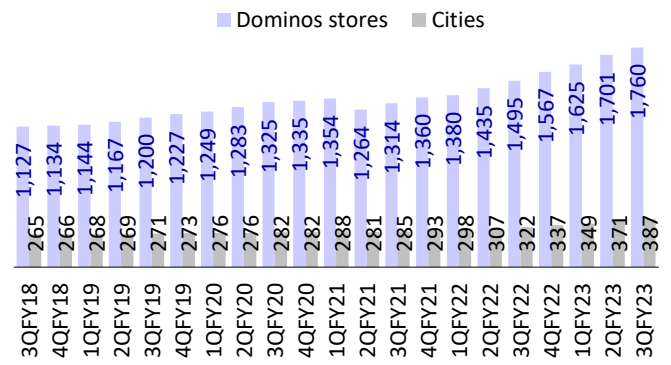
## Key exhibits

**Exhibit 1: LFL growth at 0.3% in 3QFY23**



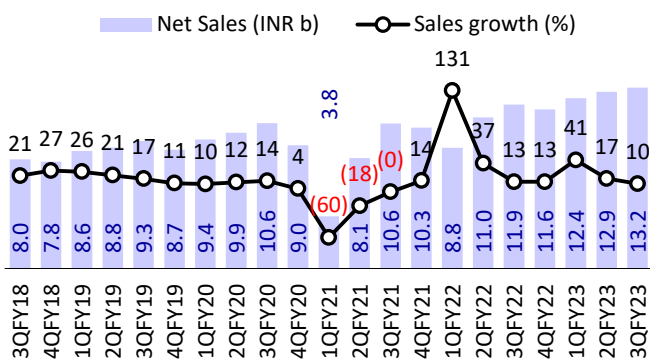
Source: Company, MOFSL

**Exhibit 2: Adds a net 59 Domino's stores in 3QFY23**



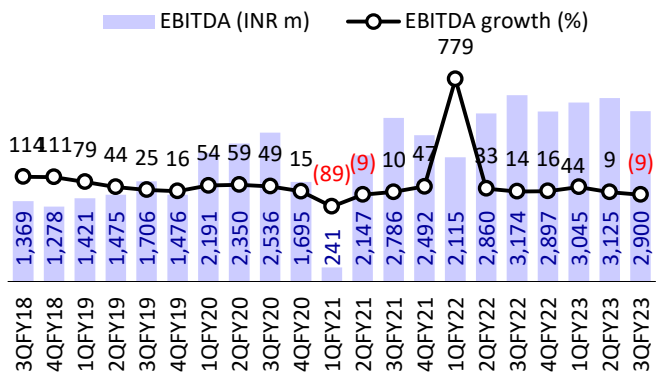
Source: Company, MOFSL

**Exhibit 3: Net sales grew 10.3% YoY to INR13.2b in 3QFY23**

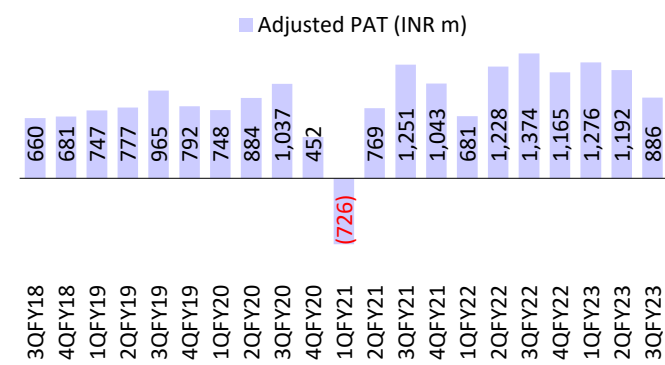


Source: Company, MOFSL

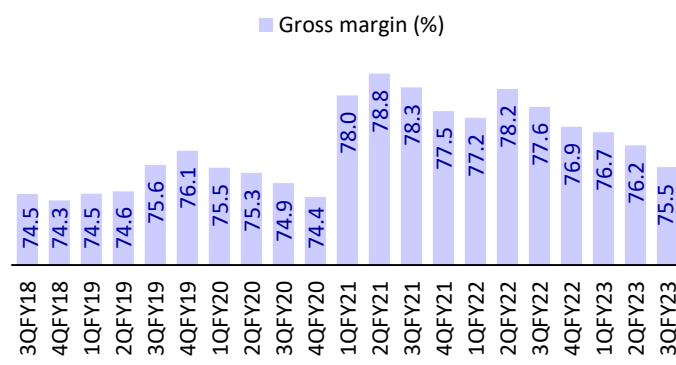
**Exhibit 4: EBITDA declined 8.6% YoY to INR2.9b in 3QFY23**



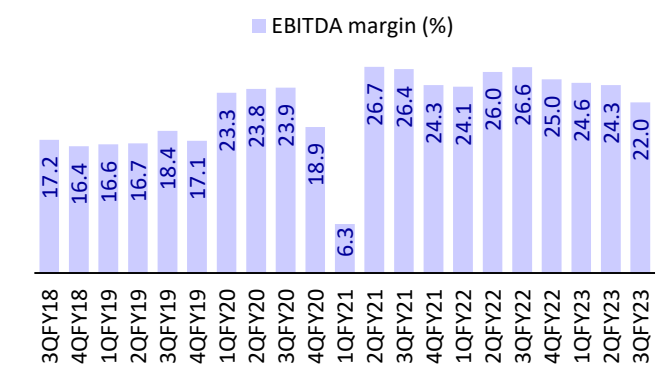
Source: Company, MOFSL

**Exhibit 5: Adjusted PAT declined 33.5% YoY to INR886m in 3QFY23**

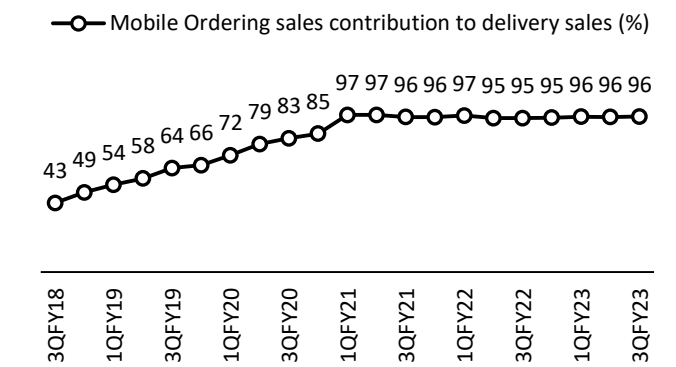
Source: MOFSL, Company

**Exhibit 6: Gross margin contracted 210bp YoY to 75.5% in 3QFY23**

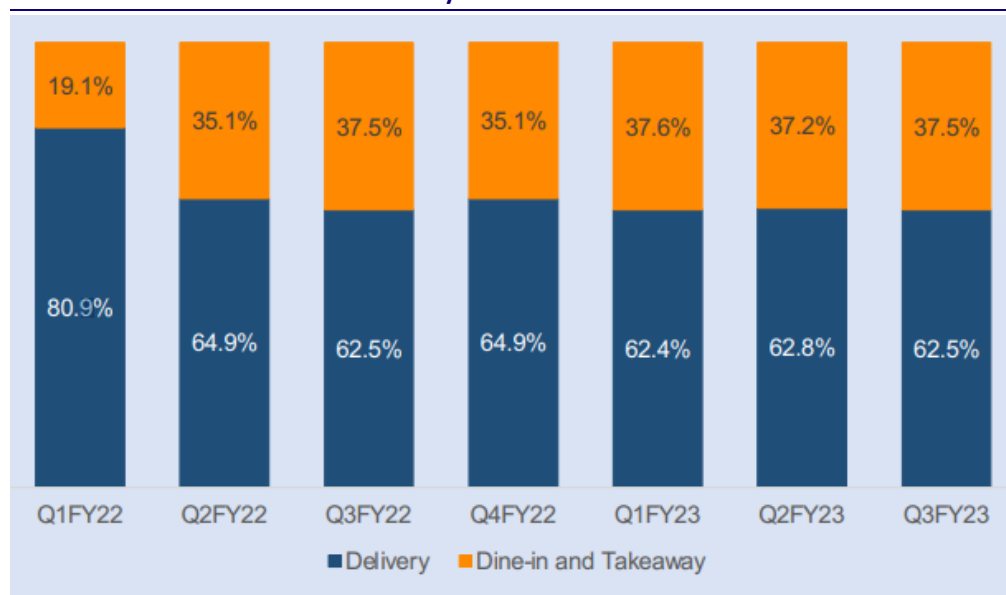
Source: MOFSL, Company

**Exhibit 7: EBITDA margin contracted 460bp YoY to 22.0% in 3QFY23**

Source: MOFSL, Company

**Exhibit 8: Contribution of mobile ordering to delivery sales stood at 96% in 3QFY23**

Source: MOFSL, Company

**Exhibit 9: Channel mix between delivery and dine-in**

Source: Company

## Valuation and view

### Outstanding growth over the past decade

- With the number of stores increasing to 1,701 at the end of FY22 from 378 at the beginning of FY12, JUBI has expanded both successfully and profitably. It has delivered a 16%/19%/15% sales/EBITDA/PAT CAGR, respectively, during this period.
- JUBI is the largest player by far in the Indian QSR market – nearly 2x higher in terms of the number of stores v/s the next largest player. It also dominates the Pizza QSR market with over 70% market share.
- It is also the most profitable player in the Indian QSR market, with a net margin of 10% in FY22, led by strong execution in the delivery-focused business.

### Our view on the stock

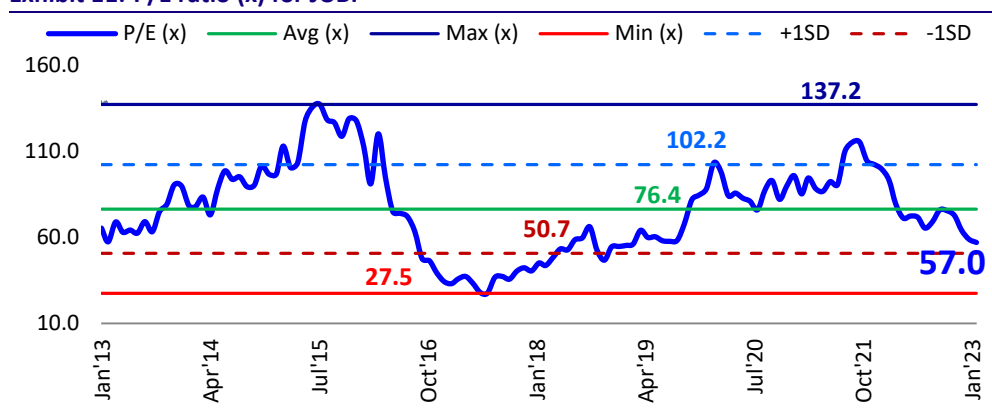
- Changes to our model have led to 15%/ 16%/6% reduction in our FY23/FY24/FY25 EPS forecasts, respectively, as a result of the EBITDA miss in 3QFY23 as well as likely subdued numbers over the next couple of quarters, led by inflationary pressures affecting discretionary demand and raw material costs pressures on cheese and wheat.
- The new CEO's efforts on improving dine-in LFL growth, decision not to take price increases for a transient high cost environment in wheat and cheese, building the technological and analytical edge of JUBI are welcome moves that will create value in the medium term.
- Longer-term opportunity in QSR remains immense and JUBI with its moats is poised to take advantage of the same. Valuations, after a steep stock price correction of ~45% from its peak appears reasonable at ~25x FY25 EV/EBITDA for a business that can compound earnings at ~20% and has ROE levels superior to QSR peers and other retail companies. We reiterate our Buy with a TP of INR575 (premised 32x FY25 Pre Ind-AS EBITDA).

**Exhibit 10: We revise our FY23/FY24/FY25 EPS estimate by -14.7%/-16.3/-6.3%**

|         | New    |        |        | Old    |        |        | Change |       |       |
|---------|--------|--------|--------|--------|--------|--------|--------|-------|-------|
| (INR m) | FY23E  | FY24E  | FY25E  | FY23E  | FY24E  | FY25E  | FY23E  | FY24E | FY25E |
| Sales   | 51,068 | 58,715 | 68,474 | 52,811 | 60,906 | 70,436 | -3.3   | -3.6  | -2.8  |
| EBITDA  | 11,892 | 13,484 | 16,446 | 12,674 | 14,738 | 17,284 | -6.2   | -8.5  | -4.8  |
| PAT     | 3,941  | 5,039  | 6,679  | 4,622  | 6,018  | 7,129  | -14.7  | -16.3 | -6.3  |

Source: Company, MOFSL

**Exhibit 11: P/E ratio (x) for JUBI**



Source: Company, MOFSL



## Financials and valuations

| Income Statement         |               |               |               |               |               |               |               | (INR m)       |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March                | FY18          | FY19          | FY20          | FY21          | FY22          | FY23E         | FY24E         | 2025E         |
| <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>51,068</b> | <b>58,715</b> | <b>68,474</b> |
| Change (%)               | 16.8          | 18.0          | 10.2          | -15.7         | 32.7          | 16.2          | 15.0          | 16.6          |
| Material Consumed        | 7,660         | 8,861         | 9,835         | 7,262         | 9,899         | 12,336        | 14,203        | 16,574        |
| <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>38,732</b> | <b>44,512</b> | <b>51,899</b> |
| Gross Margin %           | 74.6          | 75.1          | 75.0          | 78.1          | 77.5          | 75.8          | 75.8          | 75.8          |
| Operating expenses       | 18,123        | 20,773        | 20,682        | 18,144        | 22,974        | 26,840        | 31,028        | 35,453        |
| <b>EBITDA</b>            | <b>4,401</b>  | <b>5,998</b>  | <b>8,756</b>  | <b>7,712</b>  | <b>11,088</b> | <b>11,892</b> | <b>13,484</b> | <b>16,446</b> |
| Change (%)               | 82.5          | 36.3          | 46.0          | -11.9         | 43.8          | 7.3           | 13.4          | 22.0          |
| Margin (%)               | 14.6          | 16.8          | 22.3          | 23.3          | 25.2          | 23.3          | 23.0          | 24.0          |
| Depreciation             | 1,601         | 1,575         | 3,523         | 3,754         | 3,931         | 4,701         | 5,266         | 5,953         |
| Int. and Fin. Ch.        | 0             | 0             | 1,652         | 1,627         | 1,761         | 1,945         | 1,950         | 2,100         |
| Other Non-recurring Inc. | 231           | 474           | 696           | 731           | 414           | 378           | 468           | 536           |
| <b>PBT</b>               | <b>3,031</b>  | <b>4,897</b>  | <b>4,277</b>  | <b>3,062</b>  | <b>5,810</b>  | <b>5,625</b>  | <b>6,736</b>  | <b>8,929</b>  |
| Change (%)               | 201.7         | 61.6          | -12.7         | -28.4         | 89.8          | -3.2          | 19.8          | 32.6          |
| Margin (%)               | 10.0          | 13.7          | 10.9          | 9.2           | 13.2          | 11.0          | 11.5          | 13.0          |
| Tax                      | 1,068         | 1,717         | 1,303         | 757           | 1,452         | 1,417         | 1,698         | 2,250         |
| Tax Rate (%)             | 35.3          | 35.1          | 30.5          | 24.7          | 25.0          | 25.2          | 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>4,207</b>  | <b>5,039</b>  | <b>6,679</b>  |
| Change (%)               | 180.5         | 62.0          | -6.5          | -22.5         | 89.1          | -3.5          | 19.8          | 32.6          |
| Margin (%)               | 6.5           | 8.9           | 7.6           | 7.0           | 9.9           | 8.2           | 8.6           | 9.8           |
| <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>3,941</b>  | <b>5,039</b>  | <b>6,679</b>  |

| Balance Sheet                |               |               |               |               |               |               |               | (INR m)       |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March                    | FY18          | FY19          | FY20          | FY21          | FY22          | FY23E         | FY24E         | 2025E         |
| Share Capital                | 1,320         | 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        | 18,332        | 20,467        | 22,527        |
| <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>19,651</b> | <b>21,787</b> | <b>23,847</b> |
| Loans                        | 30            | 9             | 16,711        | 16,205        | 21,061        | 21,272        | 21,484        | 21,699        |
| <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>41,024</b> | <b>43,372</b> | <b>45,647</b> |
| Gross Block                  | 11,748        | 13,107        | 37,507        | 38,954        | 46,604        | 52,988        | 59,392        | 65,939        |
| Less: Accum. Depn.           | 3,838         | 5,007         | 15,619        | 17,499        | 19,238        | 23,939        | 29,205        | 35,158        |
| <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>29,049</b> | <b>30,187</b> | <b>30,781</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>  | <b>4,170</b>  |
| Capital WIP                  | 124           | 152           | 412           | 286           | 465           | 535           | 616           | 708           |
| Investments                  | 2,631         | 1,808         | 512           | 5,167         | 9,268         | 11,349        | 12,426        | 13,257        |
| Deferred tax assets          | -550          | -500          | 751           | 831           | 526           | 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>4,876</b>  | <b>5,780</b>  | <b>8,278</b>  |
| Inventory                    | 642           | 771           | 947           | 1,331         | 1,612         | 1,690         | 1,945         | 1,589         |
| Account Receivables          | 157           | 274           | 166           | 168           | 220           | 346           | 400           | 466           |
| Cash and Bank Balance        | 1,290         | 4,943         | 6,559         | 5,392         | 5,634         | 1,702         | 2,107         | 4,611         |
| Others                       | 437           | 454           | 745           | 952           | 997           | 1,139         | 1,328         | 1,612         |
| <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>8,384</b>  | <b>9,779</b>  | <b>12,073</b> |
| Other Current Liabilities    | 656           | 915           | 868           | 1,299         | 1,384         | 1,524         | 1,828         | 2,194         |
| Creditors                    | 3,890         | 4,209         | 4,470         | 5,330         | 5,370         | 6,319         | 7,301         | 9,100         |
| Provisions                   | 164           | 303           | 322           | 471           | 451           | 541           | 650           | 780           |
| <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>-3,508</b> | <b>-3,999</b> | <b>-3,795</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>41,024</b> | <b>43,372</b> | <b>45,647</b> |

E: MOFSL Estimates



## Financials and valuations

### Ratios

| Y/E March                     | FY18  | FY19 | FY20  | FY21  | FY22 | FY23E | FY24E | 2025E |
|-------------------------------|-------|------|-------|-------|------|-------|-------|-------|
| <b>Basic (INR)</b>            |       |      |       |       |      |       |       |       |
| EPS                           | 3.0   | 4.8  | 4.5   | 3.5   | 6.6  | 6.4   | 7.6   | 10.1  |
| BV/Share                      | 14.7  | 19.1 | 17.0  | 21.6  | 29.5 | 29.8  | 33.0  | 36.1  |
| DPS                           | 0.5   | 1.0  | 1.2   | 1.2   | 2.4  | 3.2   | 4.4   | 7.0   |
| Payout %                      | 16.8  | 20.8 | 26.6  | 34.3  | 36.3 | 50.2  | 57.6  | 69.2  |
| <b>Valuation (x)</b>          |       |      |       |       |      |       |       |       |
| P/E                           | 153.5 | 94.7 | 101.3 | 130.7 | 69.1 | 71.6  | 59.8  | 45.1  |
| EV/Sales                      | 9.9   | 8.3  | 7.5   | 8.8   | 6.5  | 5.7   | 4.9   | 4.2   |
| EV/EBITDA                     | 67.6  | 49.1 | 33.6  | 37.7  | 25.9 | 24.3  | 21.4  | 17.3  |
| P/BV                          | 31.1  | 23.9 | 26.9  | 21.1  | 15.5 | 15.3  | 13.8  | 12.6  |
| <b>Return Ratios (%)</b>      |       |      |       |       |      |       |       |       |
| RoE                           | 20.3  | 25.2 | 26.5  | 16.2  | 22.4 | 21.4  | 23.1  | 28.0  |
| RoCE                          | 22.1  | 28.5 | 20.3  | 12.1  | 16.0 | 13.9  | 15.4  | 18.6  |
| RoIC                          | 30.6  | 50.4 | 27.7  | 14.8  | 23.9 | 20.4  | 22.1  | 28.4  |
| <b>Working Capital Ratios</b> |       |      |       |       |      |       |       |       |
| Debtor (Days)                 | 2     | 3    | 2     | 2     | 2    | 2     | 2     | 2     |
| Inventory (Days)              | 8     | 8    | 9     | 15    | 13   | 12    | 12    | 8     |
| Creditor (Days)               | 47    | 43   | 42    | 59    | 45   | 45    | 45    | 49    |
| Asset Turnover (x)            | 3.1   | 2.8  | 1.4   | 1.1   | 1.1  | 1.2   | 1.4   | 1.5   |
| <b>Leverage Ratio</b>         |       |      |       |       |      |       |       |       |
| Debt/Equity (x)               | 0.0   | 0.0  | 1.5   | 1.1   | 1.1  | 1.1   | 1.0   | 0.9   |

### Cash Flow Statement

(INR m)

| Y/E March                    | FY18          | FY19         | FY20          | FY21          | FY22          | FY23E          | FY24E         | 2025E         |
|------------------------------|---------------|--------------|---------------|---------------|---------------|----------------|---------------|---------------|
| OP/(loss) before Tax         | 3,031         | 4,897        | 4,028         | 3,062         | 5,633         | 5,625          | 6,736         | 8,929         |
| Int./Div. Received           | -120          | -165         | 1,665         | 1,465         | 1,852         | -378           | -468          | -536          |
| Depreciation & Amort.        | 1,601         | 1,575        | 3,523         | 3,754         | 3,931         | 4,701          | 5,266         | 5,953         |
| Interest Paid                | 71            | 256          | 454           | 414           | 294           | -1,945         | -1,950        | -2,100        |
| Direct Taxes Paid            | 1,262         | 1,779        | 1,402         | 869           | 1,410         | 1,417          | 1,698         | 2,250         |
| Incr in WC                   | -912          | 14           | 82            | -509          | 410           | -834           | -896          | -2,300        |
| <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>11,309</b>  | <b>12,683</b> | <b>16,496</b> |
| Extraordinary Items          | 0             | 0            | 0             | 0             | 0             | 0              | 0             | 0             |
| Incr in FA                   | -1,160        | -1,657       | -2,830        | -2,427        | -4,563        | -6,454         | -6,484        | -6,640        |
| <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>4,855</b>   | <b>6,200</b>  | <b>9,856</b>  |
| Others                       | 48            | 262          | 281           | -2,850        | -753          | -2,430         | 353           | 412           |
| Pur of Investments           | -1,695        | 958          | 1,502         | -510          | -676          | -2,081         | -1,077        | -831          |
| <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>-10,966</b> | <b>-7,208</b> | <b>-7,059</b> |
| Issue of Shares              | 210           | 230          | 108           | 31            | 59            | 0              | 0             | 0             |
| Incr in Debt                 | 0             | 0            | -1,323        | -2,843        | -1,902        | 211            | 213           | 215           |
| Dividend Paid                | 164           | 329          | 1,448         | 0             | 790           | 2,112          | 2,903         | 4,619         |
| Others                       | -393          | -68          | -1,951        | -75           | -433          | -2,374         | -2,379        | -2,529        |
| <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>-4,275</b>  | <b>-5,070</b> | <b>-6,933</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>-3,932</b>  | <b>405</b>    | <b>2,504</b>  |
| Add: Opening Balance         | 354           | 1,290        | 4,943         | 6,559         | 5,392         | 5,634          | 1,702         | 2,107         |
| <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>1,702</b>   | <b>2,107</b>  | <b>4,611</b>  |

E: MOFSL Estimates

NOTES

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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  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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