

Jubilant FoodWorks

Estimate changes

TP change

Rating change



	JUBI IN
Bloomberg	
Equity Shares (m)	660
M.Cap.(INRb)/(USDb)	317.2 / 3.9
52-Week Range (INR)	652 / 412
1, 6, 12 Rel. Per (%)	9/-12/-15
12M Avg Val (INR M)	1616

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	51.0	57.5	65.5
Sales Gr. (%)	15.9	12.8	13.9
EBITDA	11.6	13.1	16.0
EBITDA Margin (%)	22.7	22.8	24.4
Adj. PAT	4.0	4.5	6.0
Adj. EPS (INR)	6.1	6.8	9.1
EPS Gr. (%)	-7.6	10.7	33.9
BV/Sh.(INR)	30.9	37.6	36.1

Ratios

RoE (%)	19.8	18.0	25.1
RoCE (%)	12.7	12.1	14.0
Payout (%)	52.4	65.1	77.3

Valuation

P/E (x)	79.3	71.6	53.5
P/BV (x)	15.7	12.9	13.4
EV/EBITDA (x)	26.8	23.6	19.6
Pre-IND AS 116			
EV/EBITDA (x)	40.0	35.1	28.3
EV/Sales (x)	6.1	5.4	4.8
Div. Yield (%)	0.7	0.9	1.4
EV/EBIT (x)	45.4	41.8	33.5

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	41.9	41.9	41.9
DII	21.9	20.7	15.7
FII	25.6	27.2	32.1
Others	10.6	10.2	10.2

FII Includes depository receipts

CMP: INR484

TP: INR560 (+15%)

Buy

Weak LFL pulls down earnings

- Sales grew 8% YoY, led by footprint addition, but weak LFL (down 0.6%) led to a 13%/42% decline in EBITDA/PAT. But the silver lining is that RM costs are cooling off, except for cheese, which may soften in a couple of quarters.
- LFL growth may see a gradual recovery as general inflation and RM costs cool off, along with its focus on value meals. We estimate revenue/EBITDA growth of 13%/17% over FY23-25. JUBI's own delivery system, back-end advantages, a robust balance sheet, and now the loyalty program give it a competitive edge. Retain **BUY** on the stock.

Revenue/ EBITDA In-line; Strong store add continues

- JUBI reported sales growth of 8% YoY to INR12.5b (in line), with **LFL down 0.6% YoY** (est. flat).
- Store network:
 - **Domino's Pizza:** Opened 56 new stores and closed zero, leading to 1,816 total stores at the end of 4QFY23. Expanded into six new cities, reaching to 393 cities across India.
 - **Dunkin' Donuts:** Opened three new stores and closed six stores, taking the total count to 21 stores.
 - **Hong's Kitchen:** Opened one store and closed zero, taking the total store count at the end of 4QFY23 to 13.
 - **Popeyes:** Opened one new store, taking the total to 13 stores.
- Gross margin was down 160bp YoY/20bp QoQ at 75.3% (220bp beat) possibly due to raw material cost pressure.
- EBITDA declined 13% YoY to INR2.5b (in line).
- Staff costs were under control at INR2.2b (9% YoY), while other expenses grew 18% YoY to INR4.7b. As a result, EBITDA margin contracted ~490bp YoY to 20.1% (30bp miss).
- Adj. PAT declined 42% YoY to INR675m (10% beat) due to an increase in other income by 57% YoY to INR195m.
- FY23 sales/EBITDA grew by 16%/5% to INR51.1b/INR11.6b, while Adj. PAT declined 8% YoY to INR4b.

Highlights from the management commentary

- JUBI does not plan to increase prices for the next few quarters.
- It targets to open 200-225 Dominos stores and 30-35 Popeyes stores in India annually. Capex would remain elevated at INR7-8b.
- Cheese prices may remain high for the next couple of quarters, but other commodity prices are stable.
- It aims to unlock LFL growth by strengthening value offering, which, along with cost efficiency and improved productivity, should improve EBITDA.

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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.

Valuation and view

- We broadly maintain our revenue/PAT estimates for FY24/FY25. RM cost pressure (cheese) may continue for few quarters and the management indicated that it may refrain from price hikes as the near-term environment looks challenging.
- The new CEO's efforts on improving dine-in LFL growth, his decision not to hike prices amid the 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.
- We believe there are strong long-term opportunities in QSR and JUBI with its moats is poised to take advantage of the same. After a steep stock price correction of ~25% from its peak, valuations appear reasonable at ~28x FY25E EV/EBITDA for a business which has ROE superior to QSR peers and other retail companies. We reiterate our BUY rating with a TP of INR560 (premised on 32x FY25E Pre Ind-AS EBITDA).

Quarterly Standalone Perf.

Y/E March	FY22				FY23				FY23			Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY22	FY23	4QE	
No of stores (Dominos)	1,380	1,435	1,495	1,567	1,625	1,701	1,760	1,816	1,567	1,816	1,817	
LFL growth (%)	120.4	29.4	7.5	5.8	28.3	8.4	0.3	-0.6	26.4	8.0	0.0	
Net Sales	8,790	11,007	11,935	11,579	12,403	12,868	13,166	12,523	43,961	50,960	12,631	-0.9%
YoY change (%)	131.1	36.6	12.9	12.9	41.1	16.9	10.3	8.2	32.7	15.9	9.1	
Gross Profit	6,788	8,613	9,262	8,905	9,514	9,811	9,937	9,426	34,062	38,688	9,226	2.2%
Gross margin (%)	77.2	78.2	77.6	76.9	76.7	76.2	75.5	75.3	77.5	75.9	73.0	
EBITDA	2,115	2,860	3,174	2,897	3,045	3,125	2,900	2,522	11,088	11,592	2,579	-2.2%
EBITDA growth %	778.7	33.2	13.9	16.2	44.0	9.2	-8.6	-12.9	43.8	4.5	-11.0	
Margins (%)	24.1	26.0	26.6	25.0	24.6	24.3	22.0	20.1	25.2	22.7	20.4	
Depreciation	890	902	1,006	1,031	1,050	1,123	1,298	1,282	3,931	4,753	1,309	-2.1%
Interest	418	416	446	450	459	485	501	505	1,761	1,951	519	-2.6%
Other Income	80	93	109	124	106	103	93	195	414	497	98	99.3%
PBT	887	1,635	1,831	1,539	1,642	1,619	1,194	930	5,810	5,385	849	9.5%
Tax	206	407	457	374	366	428	309	254	1,452	1,356	235	
Rate (%)	23.2	24.9	25.0	24.3	22.3	26.4	25.8	27.4	25.0	25.2	27.7	
Adjusted PAT	681	1,228	1,374	1,165	1,276	1,192	886	675	4,358	4,029	614	10.0%
YoY change (%)	L/P	59.6	9.8	11.7	87.3	-2.9	-35.5	-42.0	89.1	-7.6	-47.3	

E: MOFSL Estimates

Key performance indicators

Y/E March	FY22				FY23			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
2Y CAGR (%)								
LFL (2Y average)	29.5	5.3	3.7	9.8	74.4	18.9	3.9	2.6
Sales	-3.3	5.5	6.1	13.6	80.6	26.4	11.6	10.5
EBITDA	-1.7	10.3	11.9	30.7	255.7	20.7	2.0	0.6
PAT	-4.5	17.8	15.1	60.5	-	24.5	-15.9	-19.5
% of Sales								
COGS	22.8	21.8	22.4	23.1	23.3	23.8	24.5	24.7
Operating Expenses	53.2	52.3	51.0	51.9	52.2	52.0	53.4	55.1
Depreciation	10.1	8.2	8.4	8.9	8.5	8.7	9.9	10.2
YoY change (%)								
COGS	139.5	40.1	16.5	15.7	44.3	27.7	20.8	15.8
Operating Expenses	71.4	37.0	10.9	10.1	38.4	16.2	15.6	14.9
Other Income	-36.7	-70.2	-29.8	13.0	31.9	10.9	-14.5	56.9
EBIT	L/P	75.3	13.5	14.2	62.9	2.2	-26.1	-33.5

E: MOFSL Estimates

Highlights from the press release and investor presentation

- Dine-in and Delivery channels registered 11.5% and 5.7% growth, respectively.
- The enrolment to loyalty program 'Domino's Cheesy Rewards' crossed 13.6m (up 28% QoQ) and the loyalty order contribution reached 45% in Mar'23.
- The quarterly app downloads remain elevated at 8.5m, and MAU at 11.1m registered 22% YoY growth.
- Introduced a new Domino's Pizza Mania range comprising of five pizzas with two new sauces - Desi Makhani and Videshi (Hot and sweet). With the introduction of a new range, Pizza Mania now offers a wide selection of 13 pizzas to consumers and the price range starts at INR49.
- **International business:**
 - In **Sri Lanka**, system sales grew 14.1%. The company opened one new store, taking the network strength to 48 stores.
 - In **Bangladesh**, system sales grew by 51.6%. The company accelerated the pace of network expansion and opened record four new stores in a quarter, taking the total to 17 stores.



Highlights from the management commentary

Raw material prices

- JUBI has maintained growth despite food inflation across categories.
- Cheese prices surged 40%, flour prices were up 20%, chicken and paper prices jumped 30% over pre-Covid. Cheese prices may remain elevated for the next two quarters as well.
- Despite high cheese prices, the company maintained its gross margins (down only 20bp QoQ).
- JUBI does not plan to hike prices for the next few quarters.

New product/innovation

- JUBI continues to strengthen value offering and product innovation. Pizza Mania introduction seeing good response and expects new customer addition.
- It introduced 13 items in the value range starting from INR49-169. This should not impact gross margins.
- The company focuses on cost efficiency and improvement in productivity.
- The 20min order delivery in Bangalore was driven by a reduction in processing time due to technology (helps in getting more orders from a driver). This does not impact gross margin. Bangalore saw double-digit growth LFL.
- Popeyes's newly launched products – Smoky Pepper and Sweet Chilli received good response from customers. Popeyes customer response is positive in Chennai.

Stores

- JUBI continues to invest in new stores, which performed well in existing cities; opportunity to open stores in new cities.
- Proactive investment led to a decrease in operation time and improved cost efficiency, which should see faster recovery.
- About 40% of new stores are in existing cities.
- It opened 84 split stores during the year.

- The number of orders grew in double digits and LFL orders were positive.
- JUBI targets to grow Popeyes systemically in South and then in other parts.
- It targets to open 200-225 Dominos stores and 30-35 Popeyes store in India annually.
- The delta between LFL and SSSG could be 300bp.
- Capex would remain elevated at INR7-8b.

Key exhibits

Exhibit 1: LFL down at -0.6% YoY

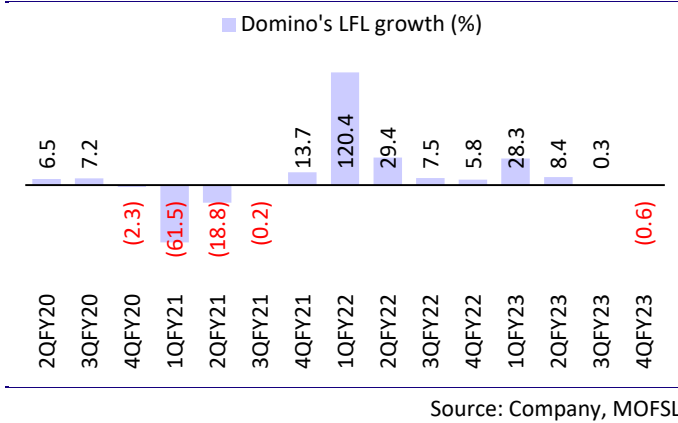


Exhibit 2: Added 56/6 new Domino's stores/cities

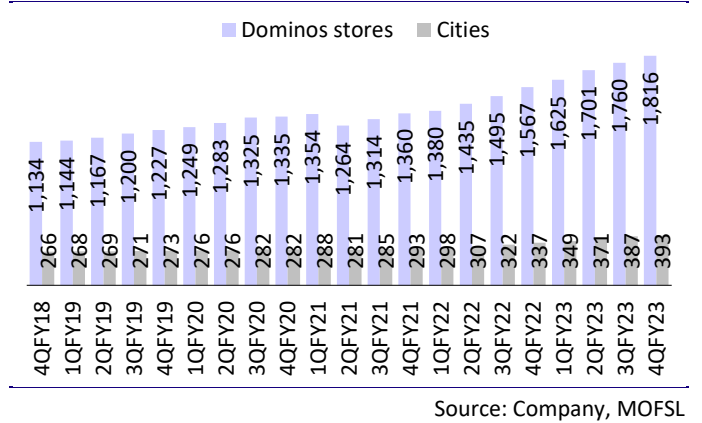


Exhibit 3: Net sales grew 8% YoY led by weak LFL

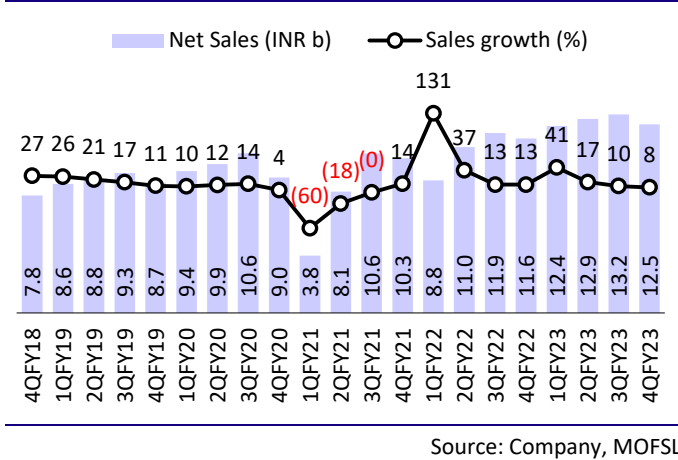


Exhibit 4: EBITDA declined 13% YoY

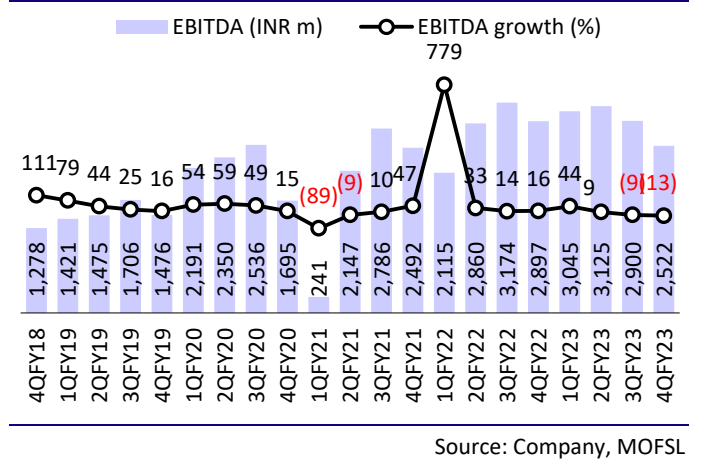


Exhibit 5: Adjusted PAT declined 42% YoY to INR675m

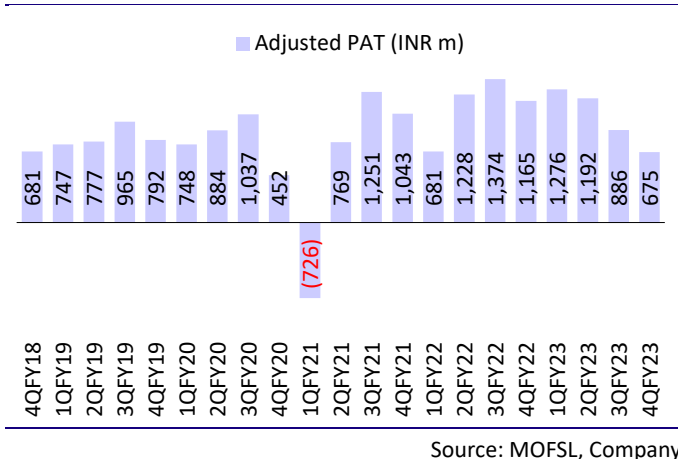


Exhibit 6: GM contraction slows down to 20bp QoQ

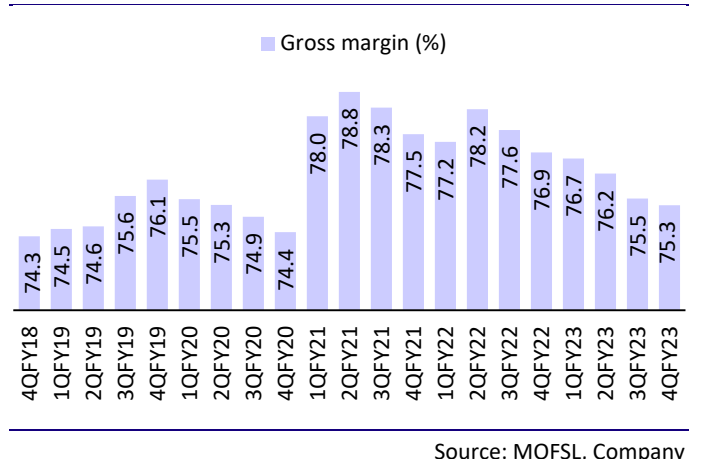
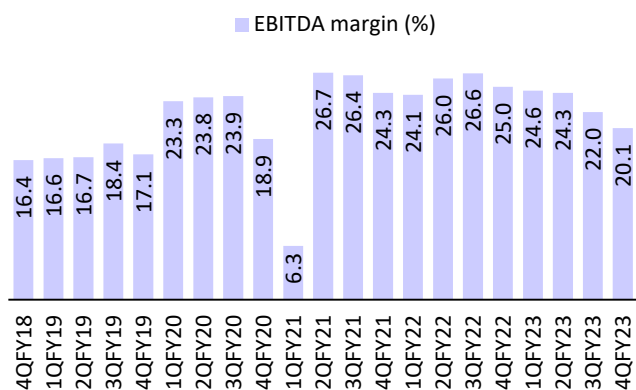
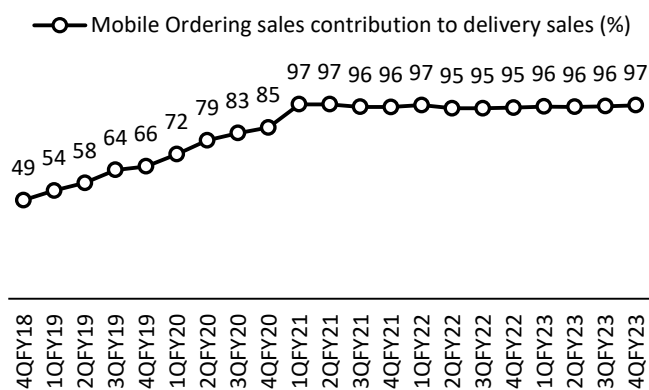


Exhibit 7: EBITDA margin contracted 190bp YoY



Source: MOFSL, Company

Exhibit 8: Contribution continues to inch up



Source: MOFSL, Company

Exhibit 9: We broadly kept our estimates same

	FY24E	FY25E
Revenue (INR m)		
Old	58,715	67,539
Actual/New	57,498	65,472
Change (%)	-2.1	-3.1
EBITDA (INR m)		
Old	12,737	15,809
Actual/New	13,126	15,952
Change (%)	3.0	0.9
EBITDA margin (%)		
Old	21.7%	23.4%
Actual/New	22.8%	24.4%
Change (bp)	114	96
Net Profit (INR m)		
Old	4,463	6,174
Actual/New	4,461	5,975
Change (%)	-0.1	-3.2
EPS (INR)		
Old	6.8	9.4
Actual/New	6.8	9.1
Change (%)	-0.1	-3.2

Source: Company, MOFSL

Financials and valuations

Income Statement								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	2025E
Net Sales	30,184	35,631	39,273	33,119	43,961	50,960	57,498	65,472
Change (%)	16.8	18.0	10.2	-15.7	32.7	15.9	12.8	13.9
Material Consumed	7,660	8,861	9,835	7,262	9,899	12,272	13,803	15,316
Gross Profit	22,524	26,770	29,438	25,856	34,062	38,688	43,695	50,156
Gross Margin %	74.6	75.1	75.0	78.1	77.5	75.9	76.0	76.6
Operating expenses	18,123	20,773	20,682	18,144	22,974	27,096	30,569	34,204
EBITDA	4,401	5,998	8,756	7,712	11,088	11,592	13,126	15,952
Change (%)	82.5	36.3	46.0	-11.9	43.8	4.5	13.2	21.5
Margin (%)	14.6	16.8	22.3	23.3	25.2	22.7	22.8	24.4
Depreciation	1,601	1,575	3,523	3,754	3,931	4,753	5,733	6,621
Int. and Fin. Ch.	0	0	1,652	1,627	1,761	1,951	2,000	2,000
Other Non-recurring Inc.	231	474	696	731	414	497	572	657
PBT	3,031	4,897	4,277	3,062	5,810	5,385	5,964	7,988
Change (%)	201.7	61.6	-12.7	-28.4	89.8	-7.3	10.8	33.9
Margin (%)	10.0	13.7	10.9	9.2	13.2	10.6	10.4	12.2
Tax	1,068	1,717	1,303	757	1,452	1,356	1,503	2,013
Tax Rate (%)	35.3	35.1	30.5	24.7	25.0	25.2	25.2	25.2
Adjusted PAT	1,962	3,180	2,974	2,305	4,358	4,029	4,461	5,975
Change (%)	180.5	62.0	-6.5	-22.5	89.1	-7.6	10.7	33.9
Margin (%)	6.5	8.9	7.6	7.0	9.9	7.9	7.8	9.1
Non-rec. (Exp)/Inc.	0	0	-186	0	-177	-466	0	0
Reported PAT	1,962	3,180	2,788	2,305	4,181	3,562	4,461	5,975

Balance Sheet								(INR m)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	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	19,058	23,519	22,494
Net Worth	9,677	12,596	11,220	14,268	19,450	20,378	24,839	23,814
Loans	30	9	16,711	16,205	21,061	25,537	28,103	29,852
Capital Employed	9,708	12,631	28,038	30,567	40,612	45,915	52,942	53,666
Gross Block	11,748	13,107	37,507	38,954	46,604	58,873	71,012	83,025
Less: Accum. Depn.	3,838	5,007	15,619	17,499	19,238	23,991	29,725	36,346
Net Fixed Assets	7,910	8,100	21,887	21,455	27,366	34,882	41,288	46,680
Lease Deposits	1,776	2,056	1,719	2,086	1,729	2,313	2,723	3,140
Capital WIP	124	152	412	286	465	1,838	1,838	1,838
Investments	2,631	1,808	512	5,167	9,268	8,218	8,218	3,489
Deferred tax assets	-550	-500	751	831	526	743	743	743
Curr. Assets, L&A	2,525	6,441	8,417	7,843	8,463	5,826	7,322	8,341
Inventory	642	771	947	1,331	1,612	1,770	1,891	1,469
Account Receivables	157	274	166	168	220	287	356	405
Cash and Bank Balance	1,290	4,943	6,559	5,392	5,634	2,569	3,771	5,007
Others	437	454	745	952	997	1,200	1,304	1,460
Curr. Liab. and Prov.	4,710	5,426	5,661	7,101	7,205	7,906	9,191	10,566
Other Current Liabilities	656	915	868	1,299	1,384	1,873	2,248	2,698
Creditors	3,890	4,209	4,470	5,330	5,370	5,614	6,293	7,088
Provisions	164	303	322	471	451	419	650	780
Net Curr. Assets	-2,184	1,015	2,757	743	1,258	-2,080	-1,869	-2,224
Misc. Expenses	0	0	0	0	0	0	0	0
Appl. of Funds	9,708	12,631	28,038	30,567	40,612	45,915	52,942	53,665

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	2025E
Basic (INR)								
EPS	3.0	4.8	4.5	3.5	6.6	6.1	6.8	9.1
BV/Share	14.7	19.1	17.0	21.6	29.5	30.9	37.6	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	52.4	65.1	77.3

Valuation (x)

P/E	162.8	100.4	107.4	138.5	73.3	79.3	71.6	53.5
EV/Sales	10.5	8.8	8.0	9.3	7.0	6.1	5.4	4.8
EV/EBITDA	71.7	52.1	35.7	40.0	27.6	26.8	23.6	19.6
P/BV	33.0	25.4	28.5	22.4	16.4	15.7	12.9	13.4

Return Ratios (%)

RoE	20.3	25.2	26.5	16.2	22.4	19.8	18.0	25.1
RoCE	22.1	28.5	20.3	12.1	16.0	12.7	12.1	14.0
RoIC	30.6	50.4	27.7	14.8	23.9	17.5	15.3	16.9

Working Capital Ratios

Debtor (Days)	2	3	2	2	2	2	2	2
Inventory (Days)	8	8	9	15	13	13	12	8
Creditor (Days)	47	43	42	59	45	40	40	40
Asset Turnover (x)	3.1	2.8	1.4	1.1	1.1	1.1	1.1	1.2

Leverage Ratio

Debt/Equity (x)	0.0	0.0	1.5	1.1	1.1	1.3	1.1	1.3
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Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	2025E
OP/(loss) before Tax	3,031	4,897	4,028	3,062	5,633	4,887	5,964	7,988
Int./Div. Received	-120	-165	1,665	1,465	1,852	-205	-572	-657
Depreciation & Amort.	1,601	1,575	3,523	3,754	3,931	4,859	5,733	6,621
Interest Paid	71	256	454	414	294	-2,012	-2,000	-2,000
Direct Taxes Paid	1,262	1,779	1,402	869	1,410	1,263	1,503	2,013
Incr in WC	-912	14	82	-509	410	83	-991	-1,592
CF from Operations	4,091	4,256	7,278	7,506	9,300	10,262	12,614	15,530
Extraordinary Items	0	0	0	0	0	0	0	0
Incr in FA	-1,160	-1,657	-2,830	-2,427	-4,563	-8,382	-6,639	-7,013
Free Cash Flow	2,931	2,600	4,448	5,080	4,738	1,880	5,975	8,518
Others	48	262	281	-2,850	-753	-3,777	161	240
Pur of Investments	-1,695	958	1,502	-510	-676	2,942	0	4,729
CF from Invest.	-2,808	-437	-1,047	-5,786	-5,992	-9,217	-6,478	-2,043
Issue of Shares	210	230	108	31	59	-340	2,903	-2,381
Incr in Debt	0	0	-1,323	-2,843	-1,902	629	18	18
Dividend Paid	164	329	1,448	0	790	799	2,903	4,619
Others	-393	-68	-1,951	-75	-433	-3,599	-4,953	-5,270
CF from Fin. Activity	-347	-167	-4,614	-2,887	-3,066	-4,109	-4,934	-12,251
Incr/Decr of Cash	936	3,652	1,616	-1,167	242	-3,064	1,202	1,236
Add: Opening Balance	354	1,290	4,943	6,559	5,392	5,634	2,570	3,771
Closing Balance	1,290	4,943	6,559	5,392	5,634	2,570	3,771	5,007

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

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

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