

July 25, 2023

## Q1FY24 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		ACCUMULATE	
Target Price	490		515	
Sales (Rs. m)	57,198	67,654	61,954	72,615
% Chng.	(7.7)	(6.8)		
EBITDA (Rs. m)	12,416	15,303	13,693	16,451
% Chng.	(9.3)	(7.0)		
EPS (Rs.)	5.7	8.3	7.2	9.7
% Chng.	(21.0)	(14.8)		

### Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	43,311	50,960	57,198	67,654
EBITDA (Rs. m)	11,046	11,592	12,416	15,303
Margin (%)	25.5	22.7	21.7	22.6
PAT (Rs. m)	4,448	4,029	3,732	5,449
EPS (Rs.)	6.7	6.1	5.7	8.3
Gr. (%)	90.4	(9.4)	(7.4)	46.0
DPS (Rs.)	1.2	1.2	2.0	3.0
Yield (%)	0.3	0.3	0.4	0.6
RoE (%)	25.0	19.2	16.1	20.2
RoCE (%)	40.6	32.5	28.7	32.8
EV/Sales (x)	7.1	6.1	5.4	4.4
EV/EBITDA (x)	27.8	26.8	24.7	19.6
PE (x)	70.6	77.9	84.1	57.6
P/BV (x)	15.2	14.6	12.6	10.8

### Key Data

JUBI.BO | JUBI IN

52-W High / Low	Rs.652 / Rs.412
Sensex / Nifty	66,342 / 19,672
Market Cap	Rs.314bn/ \$ 3,835m
Shares Outstanding	660m
3M Avg. Daily Value	Rs.1090.92m

### Shareholding Pattern (%)

Promoter's	41.94
Foreign	25.22
Domestic Institution	22.52
Public & Others	10.13
Promoter Pledge (Rs bn)	0.63

### Stock Performance (%)

	1M	6M	12M
Absolute	(0.6)	(3.6)	(17.0)
Relative	(5.7)	(12.6)	(30.2)

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## 3Q key to operational turnaround; cut to Hold

### Quick Pointers:

- Demand remains subdued, expect margin pressure to sustain in 1H24
- LT margin guidance at 23-24% versus 25.5% achieved in FY22

**We cut our FY24/FY25 EPS estimates by 21.5/14.9% and rating from Accumulate to Hold led by 1) sustained demand pressures in Pizza Industry amidst rising competition 2) poor sales growth with flat YoY dine in sales with 213 higher number of stores 3) poor growth expected increase in inflation due to high prices of cheese and vegetables 3) increase in losses in Popeyes with store expansion. JUBI is looking at driving growth led by 1) 200-225 Dominos and 30-35 Popeyes store additions 2) filling in product gaps with launch of Red Hot pizzas (starting at Rs179) 3) driving consumer traffic with redesigned stores and 4) cheesy rewards loyalty programme.**

**We expect demand and margin pressure to sustain in 2Q with gradual recovery from 3Q led by festival season and cricket world cup in October. Long term QSR opportunity in India remains attractive although near term upside in JUBI seem capped post recent run up in stock price. We estimate 16.3% PAT CAGR over FY23-25 and cut rating to Hold with DCF based target price of Rs490 (Rs515 earlier).**

**Revenues in-line, LFL growth at -1.6%:** Revenues grew 5.6% YoY to Rs13.1bn, LFL sales grew -1.3%. Gross margins contracted by 69bps YoY to 76%, EBITDA declined by 9.2% YoY to Rs2.8bn; Margins contracted by 345bps YoY, (up 97bps QoQ) to 21.1%. Adj. PAT declined by 41.1% YoY to Rs0.8bn. ADS for mature stores grew by 2.7% QoQ to Rs81,049. Dominos added just 22 stores with total being 1,838 in 1Q24. Hong's Kitchen/Popeye's store count at 15/17 (+2/+4). OLO to Delivery sales ratio improved to 98.1% (up 20bps QoQ). Total app downloads increased by 10mn to 132.3mn in 1Q24 (95.4mn/122.3mn in 1Q23/4Q23). Cumulative enrollment for Domino's Cheesy Rewards stands at 16.8mn users in 1Q24 (13.6mn/10.6mn/7.2mn in 4Q23/3Q23/2Q23).

**Concall Takeaways:** 1) Demand trends have not changed materially in 1QFY24, stores in malls have underperformed 2) Demand conditions remain uncertain given raw material price inflation in near term 3) Cheese prices remain elevated while this quarter saw a sharp jump in vegetable prices amid uncertain weather. 4) No price hikes taken in 1Q24, focus on driving margins by cost efficiencies internally & improving its product mix. 5) Sales were led by Volume growth in price range of Rs49-Rs149, new customer growth & healthy order growth across categories. 6) Introduced new category of spicy pizza's in the range >Rs179, which is expected to fill in product gap and drive volume growth in coming quarters 7) New food factory in Bangalore will start operations from August and cater to 750 restaurants across brands and bring in operational efficiencies. e 8) Loyalty programme has seen increase in high/mid frequency users 9) Margin are expected to stabilize at 23-24% in longer term. 10) Guidance of Opening 200-225/30-35 stores in Dominos/Popeyes in FY24 remains intact.

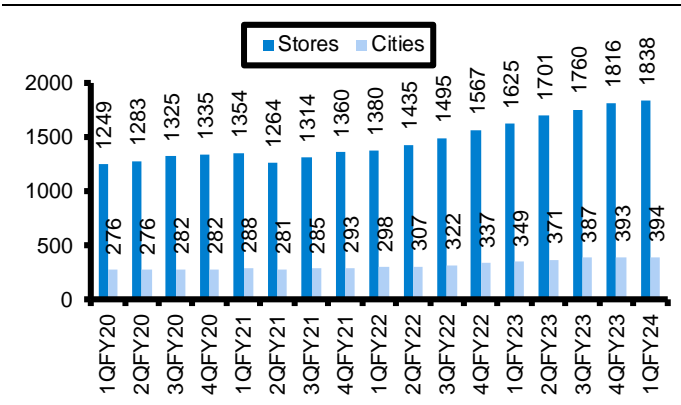


**Exhibit 1: Net Sales grew 5.6%, while EBITDA margins contracted by 345bps YoY**

Y/e March	1QFY24	1QFY23	YoY gr. (%)	4QFY23	FY23	FY22	YoY gr. (%)
<b>Net Sales</b>	<b>13,097</b>	<b>12,403</b>	<b>5.6</b>	<b>12,523</b>	<b>50,960</b>	<b>43,311</b>	<b>17.7</b>
<b>Gross Profit</b>	<b>9,956</b>	<b>9,514</b>	<b>4.6</b>	<b>9,426</b>	<b>38,688</b>	<b>33,569</b>	<b>15.3</b>
<i>% of NS</i>	<i>76.0</i>	<i>76.7</i>	<i>(0.7)</i>	<i>75.3</i>	<i>75.9</i>	<i>77.5</i>	<i>(1.6)</i>
<b>EBITDA</b>	<b>2,764</b>	<b>3,045</b>	<b>(9.2)</b>	<b>2,522</b>	<b>11,592</b>	<b>11,046</b>	<b>4.9</b>
<i>Margins %</i>	<i>21.1</i>	<i>24.6</i>	<i>(3.4)</i>	<i>20.1</i>	<i>22.7</i>	<i>25.5</i>	<i>(2.8)</i>
Depreciation	1,328	1,050	26.5	1,282	4,753	3,830	24.1
Interest	513	459	11.7	505	1,951	1,730	12.8
Other Income	91	106	(14.2)	195	497	407	22.3
<b>PBT</b>	<b>1,014</b>	<b>1,642</b>	<b>(38.2)</b>	<b>930</b>	<b>5,385</b>	<b>5,893</b>	<b>(8.6)</b>
Tax	262	366	(28.3)	254	1,356	1,444	(6.1)
<i>Tax rate %</i>	<i>25.8</i>	<i>22.3</i>	<i>3.6</i>	<i>27.4</i>	<i>25.2</i>	<i>24.5</i>	<i>0.7</i>
<b>Adjusted PAT</b>	<b>752</b>	<b>1,276</b>	<b>(41.1)</b>	<b>675</b>	<b>4,029</b>	<b>4,448</b>	<b>(9.4)</b>

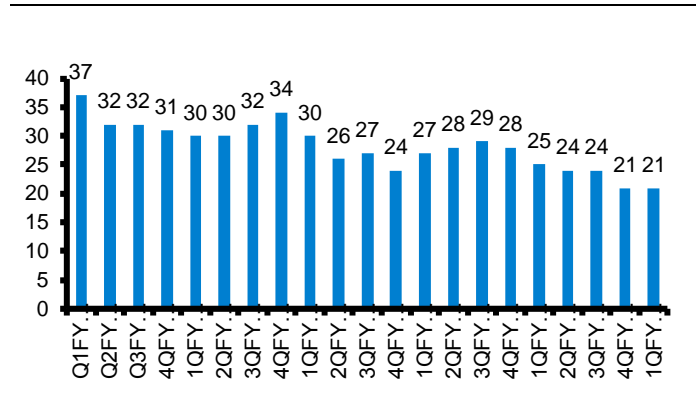
Source: Company, PL

**Exhibit 2: Dominoes opened 22 new stores**



Source: Company, PL

**Exhibit 3: Dunking Donuts saw no new openings**



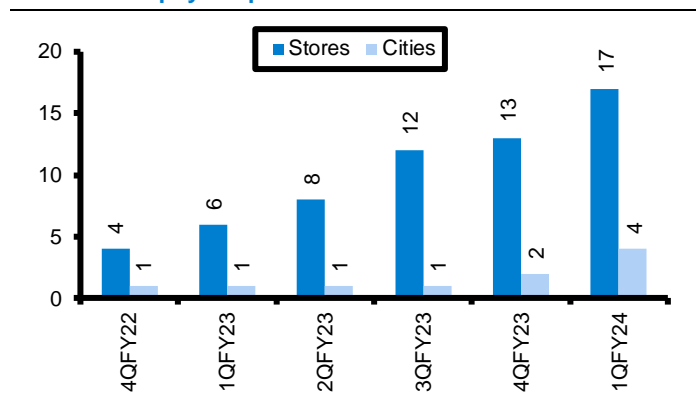
Source: Company, PL

**Exhibit 4: Hong's Kitchen opened 2 new store**



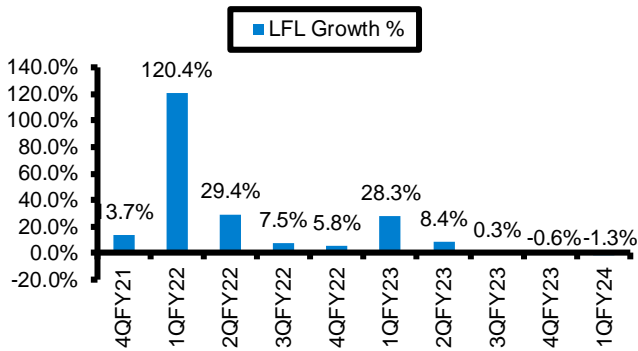
Source: Company, PL

**Exhibit 5: Popeyes opened 4 new store**



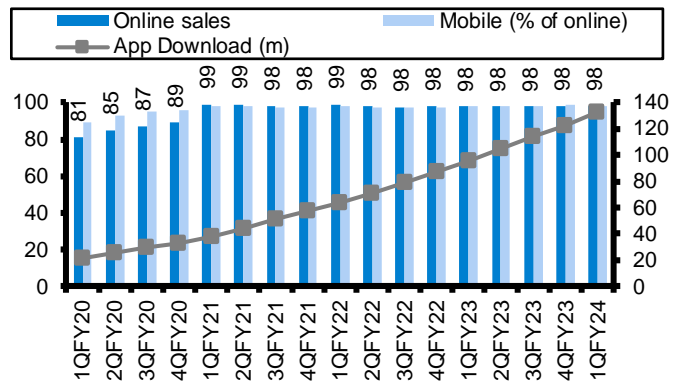
Source: Company, PL

**Exhibit 6: LFL Growth at -1.3% in 4QFY23**



Source: Company, PL

**Exhibit 7: OLO contribution at 98%**



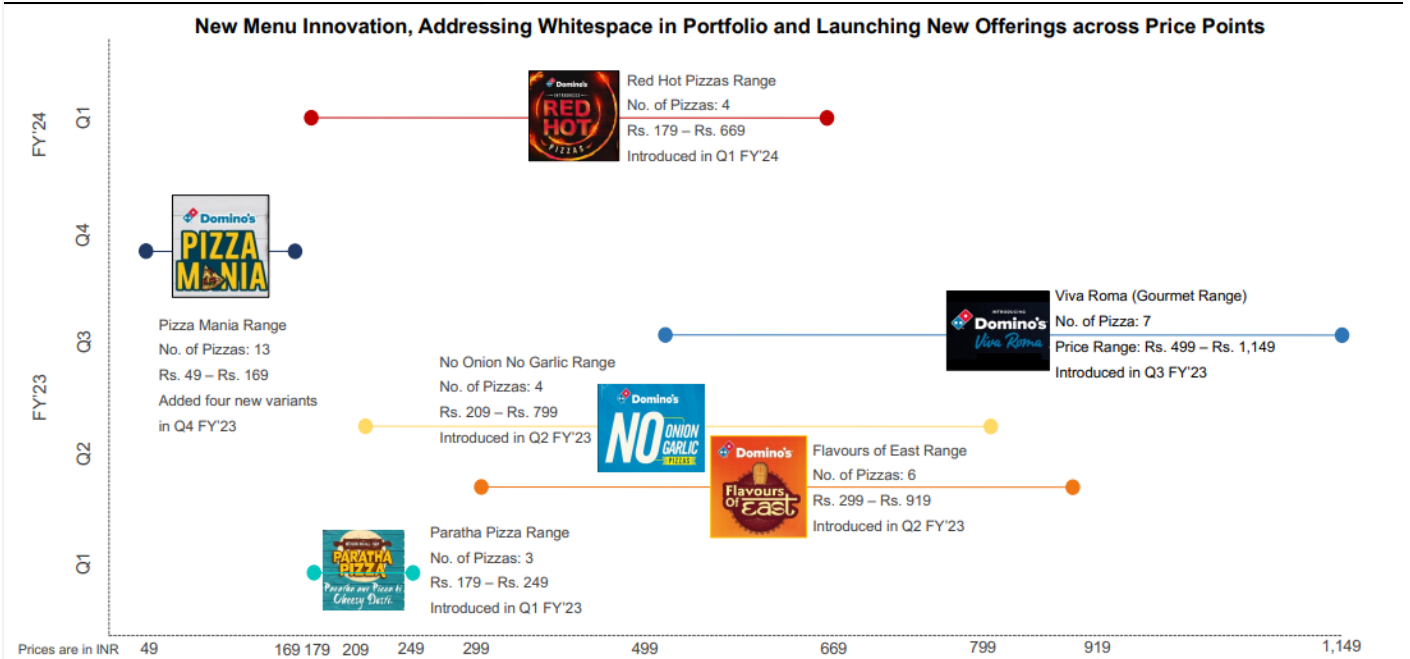
Source: Company, PL

**Exhibit 8: 60% order now deliver in less than 20mins time**



Source: PL, Company

Exhibit 9: Menu innovation continues in 1QFY24



Source: Company, PL

Exhibit 10: Launch of new Pizza spicy range



Source: Company, PL

Exhibit 11: Dominos ramps its Re-image program for old and non-performing stores



Before Re-image

After Re-image

Source: Company, PL

Exhibit 12: Popeyes enters into 3 new cities in 1QFY24



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Net Revenues</b>	<b>43,311</b>	<b>50,960</b>	<b>57,198</b>	<b>67,654</b>
YoY gr. (%)	32.5	17.7	12.2	18.3
Cost of Goods Sold	9,742	12,272	13,699	16,011
Gross Profit	33,569	38,688	43,499	51,643
Margin (%)	77.5	75.9	76.1	76.3
Employee Cost	7,514	8,896	11,486	13,626
Other Expenses	6,980	18,200	9,125	10,425
<b>EBITDA</b>	<b>11,046</b>	<b>11,592</b>	<b>12,416</b>	<b>15,303</b>
YoY gr. (%)	44.1	4.9	7.1	23.3
Margin (%)	25.5	22.7	21.7	22.6
Depreciation and Amortization	3,830	4,753	5,747	6,446
<b>EBIT</b>	<b>7,216</b>	<b>6,839</b>	<b>6,669</b>	<b>8,857</b>
Margin (%)	16.7	13.4	11.7	13.1
Net Interest	1,730	1,951	2,227	2,463
Other Income	407	497	534	870
<b>Profit Before Tax</b>	<b>5,820</b>	<b>4,918</b>	<b>4,976</b>	<b>7,265</b>
Margin (%)	13.4	9.7	8.7	10.7
Total Tax	1,444	1,356	1,244	1,816
Effective tax rate (%)	24.8	27.6	25.0	25.0
<b>Profit after tax</b>	<b>4,375</b>	<b>3,562</b>	<b>3,732</b>	<b>5,449</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>4,448</b>	<b>4,029</b>	<b>3,732</b>	<b>5,449</b>
YoY gr. (%)	90.4	(9.4)	(7.4)	46.0
Margin (%)	10.3	7.9	6.5	8.1
Extra Ord. Income / (Exp)	(73)	(466)	-	-
<b>Reported PAT</b>	<b>4,375</b>	<b>3,562</b>	<b>3,732</b>	<b>5,449</b>
YoY gr. (%)	87.2	(18.6)	4.8	46.0
Margin (%)	10.1	7.0	6.5	8.1
Other Comprehensive Income	2,430	(2,043)	-	-
Total Comprehensive Income	6,805	1,519	3,732	5,449
<b>Equity Shares O/s (m)</b>	<b>660</b>	<b>660</b>	<b>660</b>	<b>660</b>
<b>EPS (Rs)</b>	<b>6.7</b>	<b>6.1</b>	<b>5.7</b>	<b>8.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>17,074</b>	<b>26,288</b>	<b>34,323</b>	<b>39,416</b>
Tangibles	15,642	24,041	31,753	36,621
Intangibles	1,431	2,248	2,570	2,795
<b>Acc: Dep / Amortization</b>	<b>9,286</b>	<b>11,855</b>	<b>15,128</b>	<b>18,887</b>
Tangibles	8,383	10,727	13,743	17,222
Intangibles	903	1,128	1,385	1,664
<b>Net fixed assets</b>	<b>10,697</b>	<b>14,433</b>	<b>19,195</b>	<b>20,529</b>
Tangibles	10,168	13,314	18,010	19,399
Intangibles	528	1,120	1,185	1,130
Capital Work In Progress	457	1,824	850	850
Goodwill	-	-	-	-
Non-Current Investments	9,685	8,120	8,269	8,401
Net Deferred tax assets	568	967	1,063	1,170
Other Non-Current Assets	16,939	20,783	20,785	21,180
<b>Current Assets</b>				
Investments	997	1,225	1,230	1,722
Inventories	1,571	1,703	2,120	2,435
Trade receivables	268	331	501	593
Cash & Bank Balance	5,409	2,167	6,284	11,765
Other Current Assets	726	943	1,144	1,353
<b>Total Assets</b>	<b>47,327</b>	<b>52,506</b>	<b>61,453</b>	<b>70,008</b>
<b>Equity</b>				
Equity Share Capital	1,320	1,320	1,320	1,320
Other Equity	19,288	20,135	23,649	27,778
<b>Total Network</b>	<b>20,608</b>	<b>21,455</b>	<b>24,969</b>	<b>29,098</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	17,653	20,983	25,051	27,706
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	5,353	5,579	6,362	7,480
Other current liabilities	3,708	4,480	5,061	5,714
<b>Total Equity &amp; Liabilities</b>	<b>47,327</b>	<b>52,506</b>	<b>61,453</b>	<b>70,008</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	5,893	5,378	4,976	7,265
Add. Depreciation	3,830	4,755	5,747	6,446
Add. Interest	1,730	1,950	2,227	2,463
Less Financial Other Income	407	497	534	870
Add. Other	6,236	533	3,711	2,284
Op. profit before WC changes	17,689	12,616	16,661	18,458
Net Changes-WC	(75)	360	569	664
Direct tax	(1,444)	(1,355)	(1,244)	(1,816)
<b>Net cash from Op. activities</b>	<b>16,170</b>	<b>11,620</b>	<b>15,986</b>	<b>17,305</b>
Capital expenditures	(13,037)	(11,779)	(9,425)	(8,043)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Invt. activities</b>	<b>(13,037)</b>	<b>(11,779)</b>	<b>(9,425)</b>	<b>(8,043)</b>
Issue of share cap. / premium	(377)	(147)	574	-
Debt changes	-	-	-	-
Dividend paid	(792)	(792)	(792)	(1,320)
Interest paid	(1,730)	(1,950)	(2,227)	(2,463)
Others	-	(195)	-	-
<b>Net cash from Fin. activities</b>	<b>(2,899)</b>	<b>(3,084)</b>	<b>(2,445)</b>	<b>(3,782)</b>
<b>Net change in cash</b>	<b>234</b>	<b>(3,242)</b>	<b>4,117</b>	<b>5,480</b>
Free Cash Flow	3,133	(158)	6,561	9,263

Source: Company Data, PL Research

**Key Financial Metrics**

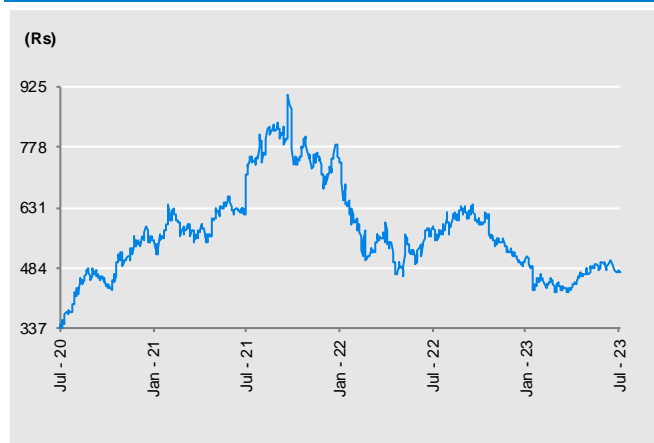
Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	6.7	6.1	5.7	8.3
CEPS	12.5	13.3	14.4	18.0
BVPS	31.2	32.5	37.8	44.1
FCF	4.7	(0.2)	9.9	14.0
DPS	1.2	1.2	2.0	3.0
<b>Return Ratio(%)</b>				
RoCE	40.6	32.5	28.7	32.8
ROIC	17.6	13.9	12.4	15.7
RoE	25.0	19.2	16.1	20.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.2)	(0.3)	(0.5)
Net Working Capital (Days)	(30)	(25)	(24)	(24)
<b>Valuation(x)</b>				
PER	70.6	77.9	84.1	57.6
P/B	15.2	14.6	12.6	10.8
P/CEPS	37.9	35.8	33.1	26.4
EV/EBITDA	27.8	26.8	24.7	19.6
EV/Sales	7.1	6.1	5.4	4.4
Dividend Yield (%)	0.3	0.3	0.4	0.6

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
<b>Net Revenue</b>	<b>12,868</b>	<b>13,166</b>	<b>12,523</b>	<b>13,097</b>
YoY gr. (%)	16.9	10.3	8.2	5.6
Raw Material Expenses	3,056	3,229	3,097	3,141
Gross Profit	9,811	9,937	9,426	9,956
Margin (%)	76.2	75.5	75.3	76.0
<b>EBITDA</b>	<b>3,125</b>	<b>2,900</b>	<b>2,522</b>	<b>2,764</b>
YoY gr. (%)	9.2	(8.6)	(12.9)	(9.2)
Margin (%)	24.3	22.0	20.1	21.1
Depreciation / Depletion	1,123	1,298	1,282	1,328
<b>EBIT</b>	<b>2,002</b>	<b>1,602</b>	<b>1,240</b>	<b>1,436</b>
Margin (%)	15.6	12.2	9.9	11.0
Net Interest	485	501	505	513
Other Income	103	93	195	91
<b>Profit before Tax</b>	<b>1,619</b>	<b>1,194</b>	<b>930</b>	<b>1,014</b>
Margin (%)	12.6	9.1	7.4	7.7
Total Tax	428	309	254	262
Effective tax rate (%)	26.4	25.8	27.4	25.8
<b>Profit after Tax</b>	<b>1,192</b>	<b>886</b>	<b>675</b>	<b>752</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,192</b>	<b>886</b>	<b>675</b>	<b>752</b>
YoY gr. (%)	(3.0)	(35.6)	(42.0)	(41.1)
Margin (%)	9.3	6.7	5.4	5.7
Extra Ord. Income / (Exp)	-	-	(200)	-
<b>Reported PAT</b>	<b>1,192</b>	<b>886</b>	<b>475</b>	<b>752</b>
YoY gr. (%)	(2.0)	(35.5)	(59.1)	(25.5)
Margin (%)	9.3	6.7	3.8	5.7
Other Comprehensive Income	65	(477)	(1,081)	54
<b>Total Comprehensive Income</b>	<b>1,257</b>	<b>409</b>	<b>(606)</b>	<b>806</b>
Avg. Shares O/s (m)	14	14	14	14
<b>EPS (Rs)</b>	<b>85.1</b>	<b>63.3</b>	<b>48.2</b>	<b>53.7</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	Accumulate	515	492
2	17-May-23	Accumulate	515	481
3	11-Apr-23	BUY	500	426
4	01-Feb-23	BUY	567	456
5	18-Jan-23	BUY	610	504
6	06-Jan-23	BUY	610	500
7	28-Dec-22	BUY	610	515
8	08-Nov-22	BUY	685	613
9	04-Oct-22	BUY	688	615
10	28-Jul-22	BUY	700	565

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,360	3,399
2	Avenue Supermarts	BUY	4,587	3,840
3	Britannia Industries	Hold	4,800	5,174
4	Colgate Palmolive	Hold	1,636	1,780
5	Dabur India	Accumulate	590	592
6	Emami	Accumulate	517	427
7	Hindustan Unilever	Hold	2,775	2,700
8	ITC	Accumulate	455	474
9	Jubilant FoodWorks	Accumulate	515	492
10	Kansai Nerolac Paints	Accumulate	328	320
11	Marico	Accumulate	550	528
12	Mold-tek Packaging	Hold	968	1,074
13	Nestle India	Accumulate	22,600	23,099
14	Pidilite Industries	Hold	2,664	2,649
15	Restaurant Brands Asia	Accumulate	146	112
16	Titan Company	Accumulate	3,242	3,088
17	Westlife Foodworld	Accumulate	800	864

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly





## ANALYST CERTIFICATION

### (Indian Clients)

We/I, Mr. Amnish Aggarwal- MBA, CFA, Mr. Harish Advani- PGDM Finance, Mr. Vishwa Solanki- PGDM - Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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