

Retail Equity Research

Jubilant Foodworks Limited

Hotels, Restaurants & Leisure

BSE CODE: 533155

NSE CODE: JUBLFOOD

Bloomberg CODE: JUBI:IN

SENSEX: 30,609

ACCUMULATE

12M Investment period Rating as per Mid Cap

CMP Rs. 1,704 **TARGET** Rs. 1,903 **RETURN** 12% ↑
(Closing: 26-05-20)

KEY CHANGES:

TARGET ↑

RATING ↓

EARNINGS ↓

Near-term looks challenging; LT outlook intact

Jubilant FoodWorks (JFL) is a leading quick service restaurant (QSR) company. It owns franchise for Domino's in India, Nepal, Sri Lanka and Bangladesh and also for Dunkin' Donuts in India.

- JFL posted subdued growth in Q4FY20 standalone revenue (+3.8% YoY to Rs. 898cr), as operations were impacted since mid-March amid Corona-led lockdown. LFL/SSG sales declined 2.3%/3.4%, respectively.
- EBITDA margin expanded 181bps YoY to 18.9% (-506bps QoQ) mainly driven by lower rent costs post-transition to IND AS-116. Adj. PAT fell 38.9% YoY on higher raw material costs, D&A and interest costs.
- Given near-term challenges amidst COVID-19 situation, we cut our estimates and downgrade our rating on the stock to a **ACCUMULATE**, with a revised target price of Rs. 1,903 based on 55x FY22E adj. EPS.

Nation-wide lockdown impacts operations

JFL reported muted growth in revenue of 3.8% YoY to Rs. 898cr for Q4FY20, mainly impacted by nation-wide lockdown since March amidst COVID-19 pandemic. Company witnessed strong revenue growth during the first two months with LFL/SSG growth at 8.4%/7.2% in Jan and 14.9%/13.1% in Feb. However, LFL/SSG growth fell sharply in Mar at -28.0%/-28.4%, impacted by supply chain disruption since the commencement of lockdown. During the quarter, Company opened 17 new stores (13 Domino's Pizza and 2 each in Dunkin' Donuts and Hong's Kitchen). On-line Ordering (OLO) contributed 88.9% to delivery sales vs. 75.3% in Q4FY19.

Higher costs put further pressure on performance

Gross margin contracted 164bps YoY to 74.4% (-48bps QoQ) in Q4FY20, primarily on account of higher input costs (+12.4% YoY, driven by food and dairy inflationary pressures). However, EBITDA grew 14.8% YoY to Rs. 169cr, as EBITDA margin expanded 181bps YoY to 18.9% (-506bps QoQ), on lower rent costs (-75.8% YoY) post-transition to IND-AS 116. Reported PAT fell 71.5% YoY to Rs. 21cr, further impacted by higher D&A and interest costs (due to IND-AS 116 adoption). Adj. PAT came in at Rs. 45cr (-38.9% YoY) after adjusting post-tax exceptional items.

Key call highlights

- Launched "zero-contact deliveries" (including for takeaways). Also, plans to introduce "zero-contact dine-ins".
- Out of the originally planned 50+ Domino's stores, company managed to open only 13 stores in Q4FY20 due to logistic disruptions amid lockdown; Company now plans to carry forward the opening of 33 stores in the upcoming quarter.
- 930+ stores have been re-opened so far, representing ~87% of total network.
- Company contributed Rs. 5cr to PM CARES Fund in April to support Government's efforts in fighting against COVID-19 crisis.
- Pandemic impacted consumer eating habits and disrupted company's operations. Management expects gradual recovery in the medium-term with its strong and trusted brand, proven quality and hygiene credentials, a robust delivery mode and growing Digital capabilities.

Valuation

We expect demand to remain lackluster in the short-term due to changes in consumer eating and discretionary spending habits amid extended lockdown. Supply chain disruptions and challenging environment would impact near-term performance. Hence, we cut our FY21/22E EPS by 51.2%/22.5% and downgrade our rating to **ACCUMULATE**, with a target price of Rs. 1,903 based on 55x FY22E adj. EPS.

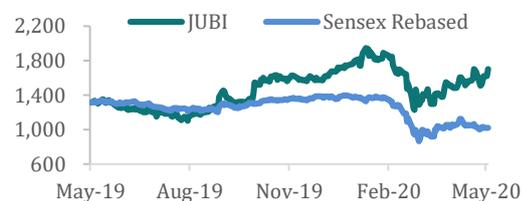
Company Data

Market Cap (cr)	Rs. 22,487
Enterprise Value (cr)	Rs. 21,524
Outstanding Shares (cr)	13.2
Free Float	55.0%
Dividend Yield	0.4%
52 week high	Rs. 1,973
52 week low	Rs. 1,078
6m average volume	37,871
Beta	1.0
Face value	Rs. 10

Shareholding %	Q2FY20	Q3FY20	Q4FY20
Promoters	41.9	41.9	41.9
FII's	34.5	32.7	30.9
MFs/Insti	17.7	19.6	21.2
Public	3.3	3.0	3.0
Others	2.7	2.8	2.9
Total	100.0	100.0	100.0
Promoters' pledge	2.5	2.9	3.6

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-7.3%	4.5%	29.8%
Absolute Sensex	-23.3%	-25.0%	-22.4%
Relative Return*	16.0%	29.5%	52.2%

*over or under performance to benchmark index



Standalone (cr)	FY20A	FY21E	FY22E
Sales	3,886	3,637	4,816
Growth (%)	10.1	(6.4)	32.4
EBITDA	877	810	1,108
EBITDA Margin (%)	22.6	22.3	23.0
Adj. PAT	309	240	456
Growth (%)	(4.3)	(22.4)	90.2
Adj. EPS	23.4	18.2	34.6
Growth (%)	(4.3)	(22.4)	90.2
P/E	62.8	93.8	49.3
P/B	16.4	16.7	13.3
EV/EBITDA	21.4	26.6	18.9
ROE (%)	23.3	17.8	26.9
D/E	0.0	0.0	0.0

Quarterly Financials (Standalone)

Profit & Loss Account

	Q4FY20	Q4FY19	YoY Growth %	Q3FY20	QoQ Growth %	FY20	FY19	YoY Growth %
Revenue	898	865	3.8	1,060	(15.3)	3,886	3,531	10.1
EBITDA	169	148	14.8	254	(33.2)	877	608	44.3
EBITDA margins	18.9	17.1	181bps	23.9	(506bps)	22.6	17.2	536bps
Depreciation	92	40	129.1	88	4.2	344	152	126.0
EBIT	78	108	(27.7)	166	(53.0)	533	455	17.0
Interest	41	0	n.m.	43	(3.8)	163	0	n.m.
Other Income	20	15	34.8	16	28.3	69	47	46.7
Exceptional Items	32	8	307.2	-	-	45	8	465.1
PBT	25	115	(78.2)	139	(82.0)	394	494	(20.4)
Tax	4	41	(90.4)	35	(88.8)	118	172	(31.2)
Share of profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	21	74	(71.5)	104	(79.7)	275	323	(14.7)
Adjustments	24	-	n.m.	-	-	34	-	n.m.
Adjusted PAT	45	74	(38.9)	104	(56.4)	309	323	(4.3)
No. of shares	13.2	13.2	-	13.2	-	13.2	13.2	-
EPS (Rs.)	3.4	5.6	(38.9)	7.9	(56.4)	23.4	24.5	(4.3)

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	4,617	5,300	3,637	4,816	(21.2)	(9.1)
EBITDA	1,090	1,237	810	1,108	(25.7)	(10.5)
Margins (%)	23.6	23.3	22.3	23.0	(134bps)	(34bps)
Adj. PAT	492	588	240	456	(51.3)	(22.5)
EPS (Rs.)	37.2	44.6	18.2	34.6	(51.2)	(22.5)

PROFIT & LOSS

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue	2,980	3,531	3,886	3,637	4,816
% change	17.1	18.5	10.1	(6.4)	32.4
EBITDA	446	608	877	810	1,108
% change	81.0	36.2	44.3	(7.7)	36.8
Depreciation	156	152	344	394	416
EBIT	291	455	533	416	692
Interest	-	-	163	179	183
Other Income	23	39	24	83	99
PBT	313	494	394	320	608
% change	220.4	57.9	(20.4)	(18.8)	90.2
Tax	107	172	118	80	152
Tax Rate (%)	34.1	34.7	30.0	25.0	25.0
Reported PAT	206	323	275	240	456
Adj*	-	-	34	-	-
Adj PAT	206	323	309	240	456
% change	206.9	56.4	(4.3)	(22.4)	90.2
No. of shares (cr)	13.2	13.2	13.2	13.2	13.2
Adj EPS (Rs.)	15.6	24.5	23.4	18.2	34.6
% change	206.9	56.4	(4.3)	(22.4)	90.2
DPS (Rs.)	5.0	5.0	6.0	6.0	8.0
CEPS (Rs.)	27.5	36.0	49.5	48.0	66.1

CASH FLOW

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Net inc. + Depn.	362	475	620	634	872
Non-cash adj.	(24)	(42)	99	171	192
Changes in W.C	77	1	14	(33)	97
C.F. Operation	415	434	732	772	1,161
Capital exp.	(111)	(158)	(276)	(182)	(241)
Change in inv.	(234)	(326)	140	(8)	(9)
Other invest.CF	(7)	38	39	(0)	0
C.F - Investment	(352)	(446)	(98)	(190)	(250)
Issue of equity	2	-	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	(16)	(33)	(145)	(79)	(106)
Other finance.CF	(3)	(7)	(324)	(179)	(183)
C.F - Finance	(18)	(40)	(469)	(258)	(289)
Chg. in cash	45	(52)	166	324	622
Closing cash	129	489	639	963	1,585

BALANCE SHEET

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Cash	129	489	639	963	1,585
Accounts Receivable	15	33	19	24	34
Inventories	63	73	92	88	122
Other Cur. Assets	295	212	90	90	92
Investments	82	89	83	90	97
Gross Fixed Assets	732	1,010	1,286	1,468	1,709
Net Fixed Assets	732	749	2,112	1,900	1,725
CWIP	11	14	39	42	45
Intangible Assets	38	37	37	38	39
Def. Tax (Net)	-	-	81	81	81
Other Assets	204	218	206	212	220
Total Assets	1,568	1,914	3,399	3,529	4,039
Current Liabilities	469	540	708	677	837
Provisions	-	-	-	-	-
Debt Funds	-	-	-	-	-
Other Liabilities	55	50	1,508	1,508	1,508
Equity Capital	66	132	132	132	132
Reserves & Surplus	978	1,192	1,051	1,211	1,562
Shareholder's Fund	1,044	1,324	1,183	1,343	1,694
Minority Interest	-	-	-	-	-
Total Liabilities	1,568	1,914	3,399	3,529	4,039
BVPS (Rs.)	79	100	90	102	128

RATIOS

Y.E March	FY18A	FY19A	FY20A	FY21E	FY22E
Profitab. & Return					
EBITDA margin (%)	15.0	17.2	22.6	22.3	23.0
EBIT margin (%)	9.7	12.9	13.7	11.4	14.4
Net profit mgn.(%)	6.9	9.1	7.1	6.6	9.5
ROE (%)	19.8	24.4	23.3	17.8	26.9
ROCE (%)	27.8	34.4	45.1	31.0	40.8
W.C & Liquidity					
Receivables (days)	1.8	3.4	1.8	2.4	2.6
Inventory (days)	30.4	30.5	34.7	36.5	38.3
Payables (days)	187.9	173.6	166.9	170.0	173.6
Current ratio (x)	1.1	1.5	1.2	1.7	2.2
Quick ratio (x)	0.9	1.3	1.0	1.5	2.0
Turnover & Leverage					
Gross asset T.O (x)	4.0	4.1	3.4	2.6	3.0
Total asset T.O (x)	2.1	2.0	1.5	1.1	1.3
Int. coverage ratio (x)	-	-	3.3	2.3	3.8
Adj. debt/equity (x)	-	-	-	-	-
Valuation					
EV/Sales (x)	10.3	5.3	4.8	5.9	4.3
EV/EBITDA (x)	68.5	30.6	21.4	26.6	18.9
P/E (x)	148.7	59.0	62.8	93.8	49.3
P/BV (x)	29.4	14.4	16.4	16.7	13.3

Recommendation Summary



Dates	Rating	Target
12-Jun-17	REDUCE	441
27-Dec-17	HOLD	965
16-Oct-18	HOLD	1,266
30-Jul-19	HOLD	1,240
31-Oct-19	HOLD	1,760
20-Feb-20	BUY	2,228
13-Apr-20	BUY	1,739
27-May-20	ACCUMULATE	1,903

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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