

# Retail Equity Research

## Jubilant Foodworks Limited

Hotels, Restaurants & Leisure

BSE CODE: 533155      NSE CODE: JUBLFOOD  
Bloomberg CODE: JUBI:IN      SENSEX: 40,129

**HOLD**

12M Investment period      Rating as per Mid Cap  
**CMP** Rs 1,601    **TARGET** Rs 1,760    **RETURN** 10% ↑  
(Closing: 31-10-19)

**KEY CHANGES:**

**TARGET** ↑

**RATING** ↔

**EARNINGS** ↑

### Strong Topline growth

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.

- Revenue for Q2FY20 grew to Rs. 988.2cr (12.1% YoY), supported by a healthy Domino's LFL/SSG sales growth of 6.5%/4.9%.
- EBITDA surged to Rs. 235cr (59.3% YoY) with a spectacular margin improvement of ~700 bps YoY, mainly due to the impact of IND-AS 116.
- PAT declined to 75.9cr (-2.2% YoY) on account of one-time tax charge and exceptional item. Normalized PAT came in at Rs. 96.1cr (+23.8% YoY) with margin of 9.7%.
- We retain our HOLD rating on the stock with a revised target price of Rs. 1.760 based on 50x FY21E adj. EPS.

### Revenue beats street estimates

Jubilant FoodWorks reported robust revenue growth of 12.1% YoY (5.1% QoQ) for Q2 FY20, despite a challenging demand environment and high inflationary pressure. The performance was aided by staunch On-line Ordering (OLO), contributing 85% to delivery sales, while there was continued pressure on dine-in sales. Amongst various delivery aggregators in the market, mobile ordering sales was 93% of overall OLO, up 400bps QoQ. The company reported an improved EBITDA margin of 23.8% (+50bps QoQ), as a result of its innovation driven approach, superior customer experience, and a better operating leverage. To overcome the inflationary commodity prices, especially dairy and manpower, the company increased prices of its products slightly, reduced costs with smarter and targeted promotions and enhanced its delivery efficiencies and manpower productivity, thereby, strengthening the margins further.

### Key concall highlights

- 40 Domino's stores opened, highest in last 15 quarters and 6 closed in Q2FY20. The company plans to open 120+ stores in FY20.
- Second Domino's store opened in Bangladesh.
- For Dunkin' Donuts, number of stores remained unchanged this quarter at 30 stores across 10 cities.
- Download for Domino's mobile ordering app reached 25.3 million.
- Capex for FY20 is estimated to be Rs. 200-250cr due to rapid operational scale up.

### Net Profit headwinds due to one-time tax charge & exceptional items

The management highlighted that the company's net profit decline was due to one-time tax charge related to re-measurement of deferred tax assets/liabilities, including reversal of deferred tax asset created from retained earnings on transition to IND AS 116. Following a prudent and conservative approach, the company created provision of Rs. 12.5cr as exceptional items towards the exposure of investment in corporate bonds of DHFL, Reliance Capital and IL& FS due to prevailing uncertainties. However the management clarified that the investment has not matured this quarter. Besides, we expect bottom line to benefit from the corporate tax reforms going forward.

### Valuation

Even with demand pressure and stiff competition not only from fellow pizza makers but also delivery aggregators, JFL continues to maintain its unique position in the market and keep up the traction in ever growing customer base. Given the solid fundamentals of the company we retain our HOLD rating on the stock with a revised target price of Rs. 1,760 based on 50x FY21E adj. EPS.

### Company Data

Market Cap (cr)	Rs.21,012
Enterprise Value (cr)	Rs.20,373
Outstanding Shares (cr)	13.2
Free Float	55.0%
Dividend Yield	0.3%
52 week high	Rs.1,611
52 week low	Rs.1013
6m average volume	53,106
Beta	1.0
Face value	Rs.10

Shareholding %	Q4FY19	Q1FY20	Q2FY20
Promoters	44.9	41.9	41.9
FII's	39.4	38.8	34.5
MFs/Insti	7.4	10.5	17.7
Public	3.8	3.5	3.3
Others	4.5	5.2	2.7
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	33.4%	17.2%	29.3%
Absolute Sensex	3.1%	-0.1%	14.7%
Relative Return*	30.3%	17.3%	14.6%

\*over or under performance to benchmark index



Standalone (cr)	FY19A	FY20E	FY21E
Sales	3,531	4,025	4,508
Growth (%)	18.5	14.0	12.0
EBITDA	608	946	1,066
EBITDA Margin (%)	17.2	23.5	23.6
Adj. PAT	323	406	464
Growth (%)	56.4	25.6	14.3
Adj. EPS	24.5	30.7	35.1
Growth (%)	-21.8	25.6	14.3
P/E	59.0	50.2	43.9
P/B	14.4	12.5	10.2
EV/EBITDA	30.6	20.8	18.2
ROE (%)	24.4	23.6	23.2
D/E	0.0	0.0	0.0

## Quarterly Financials (Standalone)

### Profit & Loss Account

	Q2FY20	Q2FY19	YoY Growth %	Q1FY20	QoQ Growth %	H1FY20	H1FY19	YoY Growth %
Revenue	988	881	12.1	940	5.1	1,928	1,736	11.1
<b>EBITDA</b>	<b>235</b>	<b>148</b>	<b>59.3</b>	<b>219</b>	<b>7.3</b>	<b>454</b>	<b>290</b>	<b>56.8</b>
EBITDA margins	23.8	16.7	710bps	23.3	50bps	23.5	16.7	680bps
Depreciation	84	38	117.8	81	3.7	165	75	119.3
<b>EBIT</b>	<b>151</b>	<b>109</b>	<b>38.6</b>	<b>138</b>	<b>9.4</b>	<b>290</b>	<b>215</b>	<b>34.9</b>
Interest	40	-	n.m.	40	2.3	80	-	n.m.
Other Income	17	11	59.0	15	12.8	33	18	80.5
Exceptional Items	(13)	-	-	-	-	(13)	-	-
<b>PBT</b>	<b>116</b>	<b>120</b>	<b>(3.6)</b>	<b>114</b>	<b>1.3</b>	<b>230</b>	<b>233</b>	<b>(1.3)</b>
Tax	40	42	(6.2)	39	0.9	79	80	(1.6)
Share of profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>76</b>	<b>78</b>	<b>(2.2)</b>	<b>75</b>	<b>1.5</b>	<b>151</b>	<b>152</b>	<b>(1.1)</b>
Adjustments	20	-	n.m.	-	-	20	-	n.m.
<b>Adjusted PAT</b>	<b>96</b>	<b>78</b>	<b>23.7</b>	<b>75</b>	<b>28.1</b>	<b>171</b>	<b>152</b>	<b>12.6</b>
No. of shares	13.2	13.2	-	13.2	-	13.2	13.2	-
<b>EPS (Rs)</b>	<b>5.8</b>	<b>5.9</b>	<b>(2.3)</b>	<b>5.7</b>	<b>1.8</b>	<b>11.4</b>	<b>11.6</b>	<b>(1.1)</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	4,025	4,508	4,025	4,508	0	0
EBITDA	941	1,064	946	1,066	0.6	0.2
Margins (%)	23.4	23.6	23.5	23.6	10bps	0bps
Adj. PAT	361	438	406	464	12.4	5.9
Adj. EPS	27.3	33.2	30.7	35.1	12.4	5.9

## PROFIT & LOSS

Y.E March (Rs cr)	FY17A	FY18A	FY19A	FY20E	FY21E
<b>Revenue</b>	<b>2,546</b>	<b>2,980</b>	<b>3,531</b>	<b>4,025</b>	<b>4,508</b>
% change	5.7	17.1	18.5	14.0	12.0
<b>EBITDA</b>	<b>247</b>	<b>446</b>	<b>608</b>	<b>946</b>	<b>1,066</b>
% change	(13.5)	81.0	36.2	55.7	12.6
Depreciation	151	156	152	360	383
<b>EBIT</b>	<b>95</b>	<b>291</b>	<b>455</b>	<b>586</b>	<b>683</b>
Interest	-	-	-	137	136
Other Income	2	23	39	66	72
<b>PBT</b>	<b>98</b>	<b>313</b>	<b>494</b>	<b>515</b>	<b>620</b>
% change	(41.5)	220.4	57.9	4.2	20.3
Tax	30	107	172	130	156
Tax Rate (%)	31.2	34.1	34.7	25.2	25.2
<b>Reported PAT</b>	<b>67</b>	<b>206</b>	<b>323</b>	<b>385</b>	<b>464</b>
Adj*	-	-	-	20	-
<b>Adj PAT</b>	<b>67</b>	<b>206</b>	<b>323</b>	<b>406</b>	<b>464</b>
% change	(41.3)	206.9	56.4	25.6	14.3
No. of shares (cr)	6.6	6.6	13.2	13.2	13.2
<b>Adj EPS (Rs)</b>	<b>10.2</b>	<b>31.3</b>	<b>24.5</b>	<b>30.7</b>	<b>35.1</b>
% change	(41.4)	206.7	(21.8)	25.6	14.3
DPS (Rs)	2.5	5.0	5.0	6.0	7.2
CEPS (Rs)	33.1	54.9	36.0	58.0	64.1

## CASH FLOW

Y.E March (Rs cr)	FY17A	FY18A	FY19A	FY20E	FY21E
<b>Net inc. + Depn.</b>	<b>218</b>	<b>362</b>	<b>475</b>	<b>746</b>	<b>846</b>
Non-cash adj.	3	(24)	(42)	(344)	(206)
Changes in W.C	(8)	77	1	48	38
<b>C.F. Operation</b>	<b>213</b>	<b>415</b>	<b>434</b>	<b>450</b>	<b>678</b>
Capital exp.	(196)	(111)	(158)	(241)	(225)
Change in inv.	(10)	(234)	(326)	(7)	(8)
Other invest.CF	8	(7)	38	6	6
<b>C.F - Investment</b>	<b>(197)</b>	<b>(352)</b>	<b>(446)</b>	<b>(243)</b>	<b>(227)</b>
Issue of equity	5	2	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	(16)	(16)	(33)	(79)	(95)
Other finance.CF	(3)	(3)	(7)	-	-
<b>C.F - Finance</b>	<b>(15)</b>	<b>(18)</b>	<b>(40)</b>	<b>(79)</b>	<b>(95)</b>
Chg. in cash	1	45	(52)	128	356
Closing cash	32	129	489	618	974

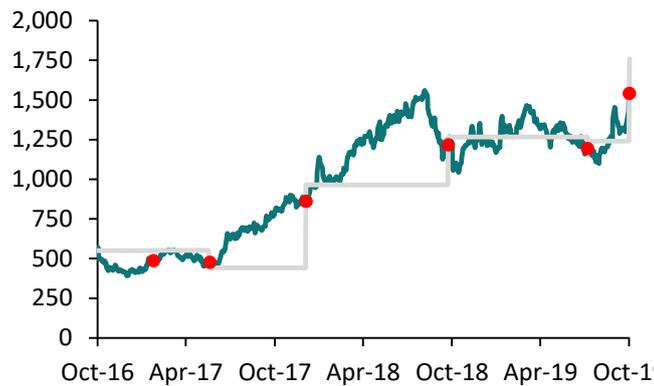
## BALANCE SHEET

Y.E March (Rs cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Cash	32	129	489	618	974
Accounts Receivable	16	15	33	32	34
Inventories	59	63	73	81	89
Other Cur. Assets	126	295	212	209	204
Investments	74	82	89	96	104
Gross Fixed Assets	767	732	974	1,215	1,440
Net Fixed Assets	767	732	749	1,908	1,751
CWIP	60	11	14	16	19
Intangible Assets	44	38	37	37	37
Def. Tax (Net)	-	-	-	66	66
Other Assets	153	204	218	224	229
<b>Total Assets</b>	<b>1,332</b>	<b>1,568</b>	<b>1,914</b>	<b>3,287</b>	<b>3,507</b>
Current Liabilities	410	469	540	611	666
Provisions	-	-	-	-	-
Debt Funds	-	-	-	-	-
Other Liabilities	70	55	50	1,045	841
Equity Capital	66	66	132	132	132
Reserves & Surplus	786	978	1,192	1,498	1,867
Shareholder's Fund	852	1,044	1,324	1,630	1,999
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,332</b>	<b>1,568</b>	<b>1,914</b>	<b>3,287</b>	<b>3,507</b>
<b>BVPS (Rs)</b>	<b>129.2</b>	<b>158.2</b>	<b>100.3</b>	<b>123.5</b>	<b>151.5</b>

## RATIOS

Y.E March	FY17A	FY18A	FY19A	FY20E	FY21E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	9.7	15.0	17.2	23.5	23.6
EBIT margin (%)	3.7	9.7	12.9	14.6	15.2
Net profit mgn.(%)	2.6	6.9	9.1	9.6	10.3
ROE (%)	7.9	19.8	24.4	23.6	23.2
ROCE (%)	11.2	27.8	34.4	36.0	34.2
<b>W.C &amp; Liquidity</b>					
Receivables (days)	2.2	1.8	3.4	2.9	2.7
Inventory (days)	34.8	30.4	30.5	29.2	28.5
Payables (days)	184.7	187.9	173.6	170.5	166.8
Current ratio (x)	0.6	1.1	1.5	1.5	2.0
Quick ratio (x)	0.3	0.9	1.3	1.4	1.8
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	3.2	4.0	4.1	3.7	3.4
Total asset T.O (x)	2.0	2.1	2.0	1.5	1.3
Int. covge. ratio (x)	-	-	-	4.3	5.0
Adj. debt/equity (x)	-	-	-	-	-
<b>Valuation</b>					
EV/Sales (x)	2.9	5.1	5.3	4.9	4.3
EV/EBITDA (x)	29.5	34.1	30.6	20.8	18.2
P/E (x)	108.6	74.4	59.0	50.2	43.9
P/BV (x)	8.6	14.7	14.4	12.5	10.2

## Recommendation Summary



Source: Bloomberg, Geojit research

Dates	Rating	Target
5-Aug-14	BUY	713
6-Feb-15	BUY	850
15-Sep-15	BUY	960
22-Sep-16	BUY	550
16-Feb-17	ACCUMULATE	553
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

## Investment Rating Criteria

### Large Cap Stocks;

Buy	-	Upside is above 10%.
Hold	-	Upside is between 0% - 10%.
Reduce	-	Downside is more than 0%.
Neutral	-	Not Applicable

### Mid Cap and Small Cap;

Buy	-	Upside is above 15%.
Accumulate	-	Upside is between 10% - 15%.
Hold	-	Upside is between 0% - 10%.
Reduce/Sell	-	Downside is more than 0%.
Neutral	-	Not Applicable

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

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Neutral- The analyst has no investment opinion on the stock under review

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