

Retail Equity Research

Jubilant Foodworks Limited

Hotels, Restaurants & Leisure

BSE CODE: 533155

NSE CODE: JUBLFOOD

Bloomberg CODE: JUBI:IN

SENSEX: 43,600

ACCUMULATE

12M Investment period

Rating as per Mid Cap

CMP Rs. 2,510 TARGET Rs. 2,830 RETURN 13%

(Closing:19-11-20)


KEY CHANGES:
TARGET ↑

RATING ↑

EARNINGS ↑

Modest recovery in revenue; Margin expands

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 standalone revenue of Rs. 806cr in Q2FY21 (-18.5% YoY; +111.8% QoQ), due to muted growth in Dine-in channel. System sales recovery for Q2FY21 stands at 82.3% YoY, whereas Like-for-Like sales recovery stands at 86.9%.
- EBITDA Margin expanded by 287bps YoY to 26.7%. Margin improvements can be attributed to flat input costs, lower discounts and introduction of delivery charges.
- Outlook improves with the ongoing growth momentum across delivery and take-away channels and expected recovery from Dine-in. Therefore, we upgrade our rating on the stock to ACCUMULATE with a revised price target of Rs. 2,830 based on 63x Dec 2022E adj. EPS.

Delivery & Takeaway channels boost revenue

Standalone revenue for JFL declined 18.5% YoY to Rs. 806cr in Q2FY21, on account of muted revenue growth from Dine-in channel partly offset by improved performance in other two segments. Delivery and Takeaway channels registered 5.8% & 49.8% YoY growth, respectively. Dine-in revenue recovery remains at 17.5%, as COVID overhang continues. Online-Ordering (OLO) contribution to overall delivery sales continues at 99% supported by 6.3mn additional app downloads. After shutting down 105 stores in H1FY21 due to weak profitability, the management iterated their commitment to open 100 new stores in H2FY21 mentioning that there would be negligible impact on total revenue.

Flat input costs support EBITDA margin expansion

EBITDA reported at Rs. 215cr in Q2FY21 (vs Rs. 235cr in Q2FY20) and EBITDA margin expanded by 287bps YoY to 26.7%. The margin expansion was primarily due to fairly soft movement in commodity prices compared to previous year, additional income from delivery charges and lower discounts offered. Also, the ability to mitigate wastage through efficient modelling and forecasting helped in controlling costs. Impact from some of these factors would continue to aid margins going forward. Adj. PAT stood at Rs. 77cr (vs Rs. 63cr in Q2FY20), supported by savings from rental concessions.

Key concall highlights

- JFL completed planned closure of 105 stores in H1FY21. However, opened 10 new stores in Q2FY21 (stated target to open more than 100 stores in FY21). Planned Capex investment is around Rs. 200cr.
- Launched #DominosBackToCricket campaign during IPL and also increased performance marketing spends by 80% compared to Q2FY20. As a result, they have marked 6.3mn (highest ever) app downloads during this quarter.
- Management expects that the aggregator level discounting would not be a trouble in future and highlighted a shift in the consumer's behavioral from deal seeking to now focusing more on value and quality.

Valuation

Considering the extended valuation of JFL, despite uncertainties around broader market, slight correction in price may be possible. However, improvement in demand and management's ability to capture the opportunities suggest a promising near-term outlook. Hence, we upgrade our rating to ACCUMULATE with a revised price target of Rs. 2,830 based on 63x Dec 2022E adj. EPS.

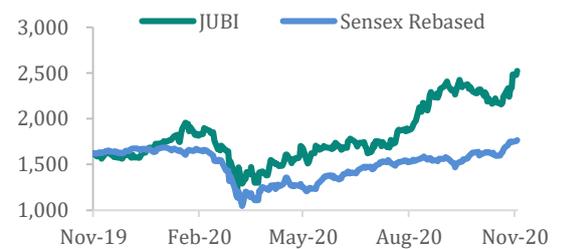
Company Data

Market Cap (cr)	Rs. 33,294
Enterprise Value (cr)	Rs. 32,401
Outstanding Shares (cr)	13.2
Free Float	55.0%
Dividend Yield	0.2%
52 week high	Rs. 2,634
52 week low	Rs. 1,142
6m average volume	34,437
Beta	1.0
Face value	Rs. 10

Shareholding %	Q4FY20	Q1FY21	Q2FY21
Promoters	41.9	41.9	41.9
FII's	30.9	36.2	37.9
MFs/Insti	21.2	16.3	15.0
Public	3.0	2.8	2.6
Others	2.9	2.7	2.7
Total	100.0	100.0	100.0
Promoters' pledge	3.6	2.7	2.7

Price Performance	3 Month	6 Month	1 Year
Absolute Return	33.7%	51.2%	55.5%
Absolute Sensex	15.5%	41.3%	8.9%
Relative Return*	18.2%	9.9%	46.6%

*over or under performance to benchmark index



Standalone (cr)	FY20A	FY21E	FY22E
Sales	3,886	3,470	4,796
Growth (%)	10.1	(10.7)	38.2
EBITDA	877	807	1,208
EBITDA Margin (%)	22.6	23.2	25.2
Adj. PAT	309	242	534
Growth (%)	(4.3)	(21.7)	120.7
Adj. EPS	23.4	18.3	40.4
Growth (%)	(4.3)	(21.7)	120.7
P/E	62.8	137.6	62.4
P/B	16.4	24.7	18.8
EV/EBITDA	21.4	40.2	26.6
ROE (%)	23.3	18.0	30.1
D/E	0.0	0.0	0.0

Quarterly Financials (Standalone)

Profit & Loss Account

	Q2FY21	Q2FY20	YoY Growth %	Q1FY21	QoQ Growth %	H1FY21	H1FY20	YoY Growth %
Revenue	806	988	(18.5)	380	111.8	1,186	1,928	(38.5)
EBITDA	215	235	(8.7)	24	791.8	239	454	(47.4)
EBITDA margins	26.7	23.8	287bps	6.3	2,032bps	20.1	23.5	(341bps)
Depreciation	103	84	22.9	91	13.4	194	165	17.7
EBIT	112	151	(26.1)	(67)	267.4	45	290	(84.5)
Interest	41	40	2.0	42	(1.6)	83	80	4.0
Other Income	31	17	80.7	13	145.4	44	32	34.8
Exceptional Items	-	13	n.m.	-	-	-	13	n.m.
PBT	102	116	(12.0)	(96)	205.9	6	230	(97.5)
Tax	25	40	(37.6)	(23)	206.0	1	79	(98.2)
Share of profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	77	76	1.3	(73)	205.9	4	151	(97.2)
Adjustments	-	(13)	n.m.	-	-	-	(13)	n.m.
Adj. PAT	77	63	1.3	(73)	205.9	4	138	(97.1)
No. of shares	13.2	13.2	0.0	13.2	0.0	13.2	13.2	0.0
Adj. EPS (Rs.)	5.8	4.8	20.8	(5.5)	205.9	0.3	10.4	(97.1)

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	3,567	4,769	3,470	4,796	(2.7)	0.6
EBITDA	793	1,180	807	1,208	1.6	2.4
Margins (%)	22.2	24.7	23.2	25.2	100bps	49bps
Adj. PAT	213	504	242	534	13.6	5.9
Adj. EPS	16.1	38.2	18.3	40.4	13.6	5.9

PROFIT & LOSS

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue	2,980	3,531	3,886	3,470	4,796
% change	17.1	18.5	10.1	(10.7)	38.2
EBITDA	446	608	877	807	1,208
% change	81.0	36.2	44.3	(8.0)	49.8
Depreciation	156	152	344	372	382
EBIT	291	455	533	435	826
Interest	-	-	163	166	179
Other Income	23	39	24	55	66
PBT	313	494	394	323	714
% change	220.4	57.9	(20.4)	(17.8)	120.7
Tax	107	172	118	82	180
Tax Rate (%)	34.1	34.7	30.0	25.2	25.2
Reported PAT	206	323	275	242	534
Adj*	-	-	34	-	-
Adj PAT	206	323	309	242	534
% change	206.9	56.4	(4.3)	(21.7)	120.7
No. of shares (cr)	13.2	13.2	13.2	13.2	13.2
Adj EPS (Rs.)	15.6	24.5	23.4	18.3	40.4
% change	206.9	56.4	(4.3)	(21.7)	120.7
DPS (Rs.)	5.0	5.0	6.0	6.0	8.0
CEPS (Rs.)	27.5	36.0	49.5	46.5	69.4

CASH FLOW

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Net inc. + Depn.	362	475	620	614	916
Non-cash adj.	(24)	(42)	99	156	189
Changes in W.C	77	1	14	(22)	96
C.F. Operation	415	434	732	748	1,201
Capital exp.	(111)	(158)	(276)	(191)	(528)
Change in inv.	(234)	(326)	140	(8)	(9)
Other invest.CF	(7)	38	39	0	(0)
C.F - Investment	(352)	(446)	(98)	(199)	(536)
Issue of equity	2	-	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	(16)	(33)	(145)	(79)	(106)
Other finance.CF	(3)	(7)	(324)	(216)	(239)
C.F - Finance	(18)	(40)	(469)	(295)	(344)
Chg. in cash	45	(52)	166	254	321
Closing cash	129	489	639	893	1,214

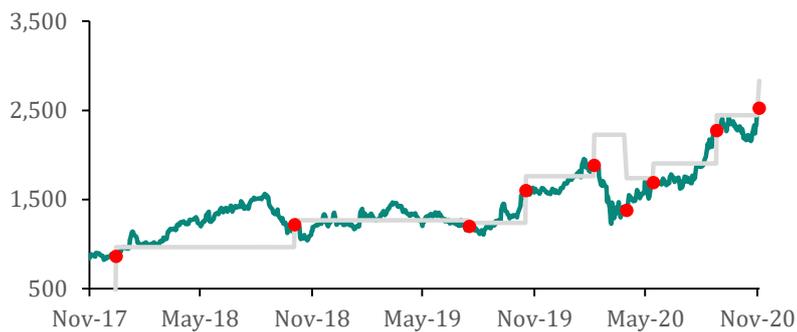
BALANCE SHEET

Y.E March (Rs. cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Cash	129	489	639	893	1,214
Accounts Receivable	15	33	19	23	27
Inventories	63	73	92	82	97
Other Cur. Assets	295	212	90	90	92
Investments	82	89	83	90	97
Gross Fixed Assets	732	1,010	1,286	1,477	2,004
Net Fixed Assets	732	749	2,112	1,931	2,076
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	3,481	3,988
Current Liabilities	469	540	708	678	816
Provisions	-	-	-	-	-
Debt Funds	-	-	-	-	-
Other Liabilities	55	50	1,508	1,458	1,398
Equity Capital	66	132	132	132	132
Reserves & Surplus	978	1,192	1,051	1,214	1,642
Shareholder's Fund	1,044	1,324	1,183	1,346	1,774
Minority Interest	-	-	-	-	-
Total Liabilities	1,568	1,914	3,399	3,481	3,988
BVPS (Rs.)	79	100	90	102	134

RATIOS

Y.E March	FY18A	FY19A	FY20A	FY21E	FY22E
Profitab. & Return					
EBITDA margin (%)	15.0	17.2	22.6	23.2	25.2
EBIT margin (%)	9.7	12.9	13.7	12.5	17.2
Net profit mgn.(%)	6.9	9.1	7.1	7.0	11.1
ROE (%)	19.8	24.4	23.3	18.0	30.1
ROCE (%)	27.8	34.4	45.1	32.3	46.6
W.C & Liquidity					
Receivables (days)	1.8	3.4	1.8	2.4	2.1
Inventory (days)	30.4	30.5	34.7	36.5	32.1
Payables (days)	187.9	173.6	166.9	185.3	176.2
Current ratio (x)	1.1	1.5	1.2	1.6	1.8
Quick ratio (x)	0.9	1.3	1.0	1.4	1.6
Turnover & Leverage					
Gross asset T.O (x)	4.0	4.1	3.4	2.5	2.8
Total asset T.O (x)	2.1	2.0	1.5	1.0	1.3
Int. coverage ratio (x)	-	-	3.3	2.6	4.6
Adj. debt/equity (x)	-	-	-	-	-
Valuation					
EV/Sales (x)	10.3	5.3	4.8	9.3	6.7
EV/EBITDA (x)	68.5	30.6	21.4	40.2	26.6
P/E (x)	148.7	59.0	62.8	137.6	62.4
P/BV (x)	29.4	14.4	16.4	24.7	18.8

Recommendation Summary



Dates	Rating	Target
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
8-Sep-20	HOLD	2,445
20-Nov-20	ACCUMULATE	2,830

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. The stock may still be a quality stock.

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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