

Jubilant FoodWorks

Estimate changes

TP change

Rating change



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Bloomberg	JUBI IN
Equity Shares (m)	660
M.Cap.(INRb)/(USDb)	314.8 / 3.8
52-Week Range (INR)	652 / 412
1, 6, 12 Rel. Per (%)	-6/-13/-35
12M Avg Val (INR M)	1450

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	51.0	55.7	63.6
Sales Gr. (%)	15.9	9.4	14.1
EBITDA	11.6	12.7	15.5
EBITDA Margin (%)	22.7	22.8	24.4
Adj. PAT	4.0	4.2	5.6
Adj. EPS (INR)	6.1	6.4	8.6
EPS Gr. (%)	-7.6	4.1	34.6
BV/Sh.(INR)	30.9	37.2	35.2

Ratios

RoE (%)	19.8	17.1	24.3
RoCE (%)	12.7	11.7	13.7
Payout (%)	52.4	69.2	81.8

Valuation

P/E (x)	78.0	75.0	55.7
P/BV (x)	15.4	12.8	13.5
EV/EBITDA (x)	28.4	26.0	21.7
Pre-IND AS 116 EV/EBITDA (x)	39.3	35.7	28.7
EV/Sales (x)	6.5	5.9	5.3
Div. Yield (%)	0.7	0.9	1.5

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	41.9	41.9	41.9
DII	22.5	21.9	17.3
FII	25.4	25.6	30.0
Others	10.1	10.6	10.7

FII Includes depository receipts

CMP: INR477

TP: INR570 (+20%)

Buy

LFL remains weak, RM recovery visible

- JUBI's sales grew 6% YoY in 1QFY24, driven by footprint addition. But weak LFL (-1.3% YoY) and store addition-related costs (employee and SG&A) led to a 9%/41% decline in EBITDA/PAT (in line). The only silver lining is that RM prices are peaking out, which should cushion margins.
- The management's efforts toward product innovations, faster delivery and store revamping should help JUBI mitigate the market impact. We estimate revenue/EBITDA growth of 12/16% over FY23-25. JUBI's own delivery system, back-end advantages, the robust balance sheet, and the loyalty program give it a competitive edge. Retain **BUY** on the stock.

Revenue/PAT in line; strong store addition continues

- JUBI reported sales growth of 6% YoY to INR13.1b (in line), with LFL growth at -1.3% YoY and 13% store addition. Growth was led by an increase in orders, partially offset by a decline in the ticket size.
- Store network: The company opened 30 new stores and closed 2 stores in 1QFY24, taking the total count to 1,891 stores.
 - Dominos: Opened 23 new Domino's Pizza stores and closed 1, taking the total to 1,838 stores. Expanded in 1 new city, reaching 394 cities across India.
 - Popeyes: Opened 4 new stores in 2 new cities – Manipal and Coimbatore, taking the total to 17 stores across 4 cities.
 - Hong's Kitchen: Opened 2 stores and closed 1, taking the total to 15 stores across three cities.
 - Dunkin' Donuts: Opened 1 new (coffee first) store and closed 1 store, keeping the total at 21 stores. 9 out of 21 Dunkin' stores are now as per the brand's new coffee-first identity.
- Gross profit grew 5% YoY to INR10b (in line).
 - Gross margin was down 70bp YoY but up 70bp QoQ at 76% (80bp above est.), with improving trends in raw material prices.
- EBITDA declined 9% YoY to INR2.8b (in line), led by higher employee costs and weak LTL growth.
 - Margins contracted by 350bp YoY to 21.1% (60bp above est.).
 - Pre-IndAS 116 margin stood at 13.4%, down 400bp YoY.
- Adj. PAT declined 41% YoY to INR752m (in line) and margins stood at 5.7% (vs. 10.3% in 1QFY23).

Highlights from the management commentary

- JUBI is aiming for a long-term EBITDAM of 23-24%. It is difficult to generate 25-26% margin, which was seen during the Covid period. Also, volatile RM prices make it difficult to give gross margin guidance.
- The company has a strong pipeline for store additions in FY24, with 200-225 new stores for Dominos and 30-35 for Popeyes.

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- Persistently high prices of milk and milk-related products YoY and the recent increase in vegetable prices pose some challenges. Overall basket prices moderated sequentially.
- The current demand environment is still unpredictable. JUBI continues to launch new ranges of products to meet volume and value-based demand.

Valuation and view

- We broadly maintain our revenue/PAT estimates for FY24/FY25. RM cost pressure (cheese) may continue for a few quarters and the management has indicated that it may refrain from price hikes as the near-term environment looks challenging.
- The management's efforts on improving dine-in LFL growth, its decision not to hike prices amid the transient high-cost environment in wheat and cheese, and 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 ~29x FY25E pre-Ind AS EBITDA for a business that has ROE superior to QSR peers and other retail companies. We reiterate our BUY rating with a TP of INR570 (premised on 34x FY25E Pre Ind-AS EBITDA).

Quarterly Standalone Perf.

Y/E March	FY23				FY24E						(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY23	FY24E	FY24 1QE	Var. (%)
No of stores (Dominos)	1,625	1,701	1,760	1,816	1,838	1,888	1,948	2,036	1,816	2,036	1,861	
LFL growth (%)	28.3	8.4	0.3	-0.6	-1.3	0.0	5.0	4.2	8.9	2.0	-2.0	
Net Sales	12,403	12,868	13,166	12,523	13,097	13,640	14,746	14,259	50,960	55,741	13,085	0.1%
YoY change (%)	41.1	16.9	10.3	8.2	5.6	6.0	12.0	13.9	15.9	9.4	5.5	
Gross Profit	9,514	9,811	9,937	9,426	9,956	10,295	11,242	10,813	38,688	42,307	9,845	1.1%
Gross margin (%)	76.7	76.2	75.5	75.3	76.0	75.5	76.2	75.8	75.9	75.9	75.2	
EBITDA	3,045	3,125	2,900	2,522	2,764	3,139	3,732	3,084	11,592	12,719	2,688	2.8%
EBITDA growth %	44.0	9.2	-8.6	-12.9	-9.2	0.5	28.7	22.3	4.5	9.7	-11.7	
Margins (%)	24.6	24.3	22.0	20.1	21.1	23.0	25.3	21.6	22.7	22.8	20.5	
Depreciation	1,050	1,123	1,298	1,282	1,328	1,375	1,428	1,438	4,753	5,569	1,326	0.2%
Interest	459	485	501	505	513	515	520	525	1,951	2,073	510	0.5%
Other Income	106	103	93	195	91	133	133	175	497	532	143	-36.4%
PBT	1,642	1,619	1,194	930	1,014	1,382	1,917	1,296	5,385	5,608	995	1.9%
Tax	366	428	309	254	262	348	483	320	1,356	1,413	251	
Rate (%)	22.3	26.4	25.8	27.4	25.8	25.2	25.2	24.7	25.2	25.2	25.2	
Adjusted PAT	1,276	1,192	886	675	752	1,034	1,434	976	4,029	4,195	744	1.0%
YoY change (%)	87.3	-2.9	-35.5	-42.0	-41.1	-13.3	61.9	44.5	-7.6	4.1	-41.7	

E: MOFSL Estimates

Exhibit 1: Valuation based on FY25E

	Methodology	Driver (INR b)	Multiple	Fair Value (INR b)	Value/sh (INR)
EBITDA	Mar'25 EV/EBITDA	11	34	363	561
Less Net debt				-6	-8
Total Value				369	570
Shares o/s (m)				660	
CMP (INR)					477
Upside (%)					20

Source: MOFSL, Company



Highlights from the press release and investor presentation

- Growth in the Dine-in channel was flat, while the Delivery channel registered 8.4% YoY growth.
- The enrollments in the loyalty program, 'Domino's Cheesy Rewards', reached 16.8m (+24% QoQ) and the loyalty order contribution reached 48% in Jun'23.
- The quarterly app downloads remained elevated at 10m (vs. 8.5m in 4QFY23) and MAU declined to 10.3m (vs. 11.1m in 4QFY23).
- **International business:**
 - In **Sri Lanka**, system sales growth was 13.1% and the company opened 2 new stores, taking the network strength to 50 stores.
 - In **Bangladesh**, system sales grew by 69.6% and the network expanded to 20 stores.
- ADS for mature stores grew by 2.7% QoQ to INR81,049, while the ticket size declined.
- It continued to bolster its value proposition and focused on improvising systems and processes while expanding margins.

Highlights from the management commentary

Strategy

- The company has a strong pipeline for store additions in FY24. For Jubilant, the network guidance continues at 200-225 new stores, and 30-35 stores for Popeyes.
- It is targeting tier-1/3 cities. Key criteria for store selection are 1) a payback period of less than two years, and 2) in-line margins.
- The Eating-out market is USD50b and pizza as a category is about USD1.0b. The company aims to convert the unorganized market share into the organized market and has taken the following steps: a) including a spicy product range, b) superior technological effort, and c) store network expansion.

Current scenario

- The demand environment is still unpredictable. Malls were doing well in the previous quarter, but now they appear subdued.
- Their Tier-4 store is doing better than expected.
- Dominos has the advantage of a) quick delivery, b) low-value offerings, and c) reward points, which can help it perform relatively better than peers.

RM cost- Inflation remains elevated

- Prices of key ingredients remain elevated in this quarter. Cheese prices are high vs. last year and the recent increase in vegetable prices poses some challenges.
- Milk prices declined marginally but remained higher than last year. Overall basket saw moderation sequentially.
- The company is able to expand its operating margins sequentially on account of higher productivity-led cost optimization initiatives.

New product launch to improve ticket size

- JUBI has launched a new line of Domino's Red Hot Spicy Pizzas during the quarter, with four pizzas starting at INR179.

- Prior to this, it launched Pizza Mania, with prices ranging from INR49 to INR149. The new line will spur growth in value and volume while luring clients away from the unorganized sector.
- In addition to launching Domino's Roasties, a tasty entry-level product that combines stuffed roasted bread with a lovely local Sri Lankan touch, the company also launched Choco Breadstick in Bangladesh.
- Growth in Hong's Kitchen was driven by the number of orders and increasing ticket size.
- The popularity of Sandwich, bone-in chicken, is growing at Popeyes.
- To enhance delivery, it added combo deals to the app as well as aggregators' apps.

Performance

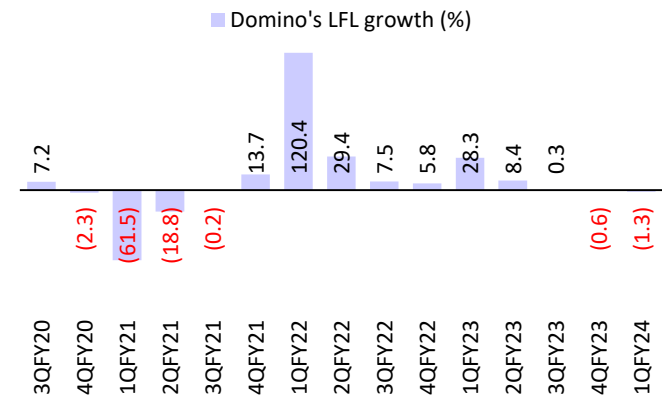
- While the ticket size reduced in 1QFY24, sales growth was driven by order-led growth.
- GM gain was driven by the company's internal efficiency (efficient systems and processes), despite key RM prices remaining weak.
- LFL growth-
 1. Lower footfalls in mall stores may have contributed to flat growth in the dine-in business.
 2. Delivery in 20 minutes or less increased LFL growth and delivery channel repetition rates. Delivery channels may clock stronger LFL growth after the rainy season.
 - Orders, ratings, and downloads of apps have increased, and conversion rates have improved.
- Higher labor costs were caused by factors like the increase in minimum wage, store expansion and the mix effect of variable labor costs.

Others

- A majority of Dominos outlets are located in Bangalore, and the 20-minute delivery option is also available.
- In Bangalore, it has opened its first Popeyes location.
- From Aug'23 onward, JUBi expects to open a commissary that will serve more than 750 stores. The company spent INR2.7b on the commissary.
- Since it was previously using third-party contracts, this could have resulted in some operating cost reductions, but it will increase the depreciation cost, hence the benefit will be neutral.
- Since sales increased after Suryakumar Yadav's century, the company wants to capitalize on the World Cup in 2023.

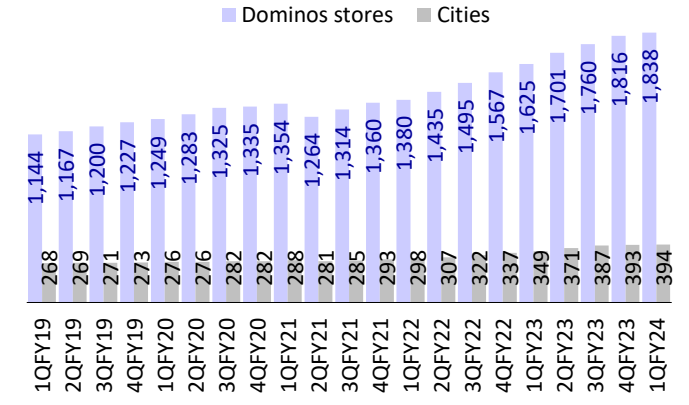
Key exhibits

Exhibit 2: LFL continued to decline



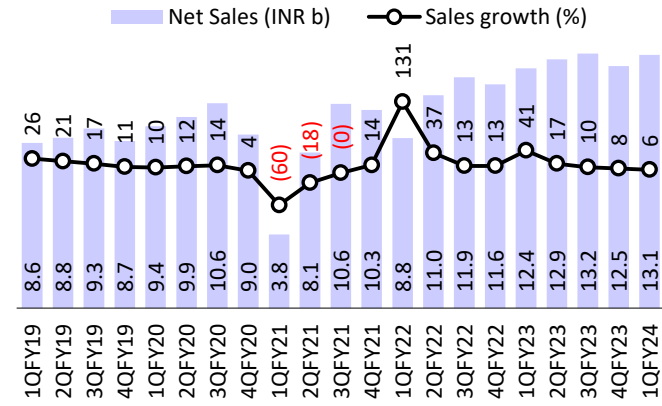
Source: Company, MOFSL

Exhibit 3: Added 22/1 new Domino's stores/cities



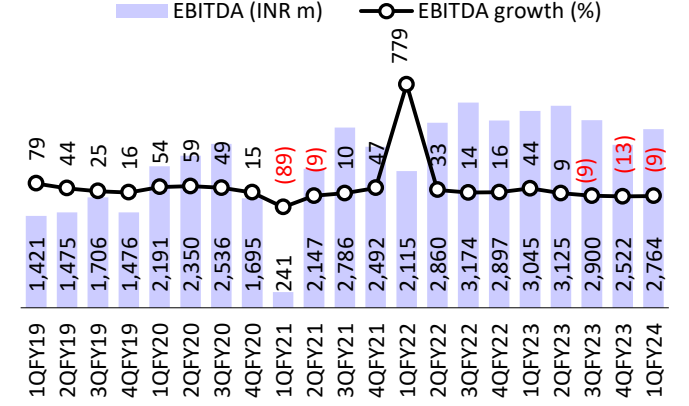
Source: Company, MOFSL

Exhibit 4: Net sales grew 6% YoY led by weak LFL



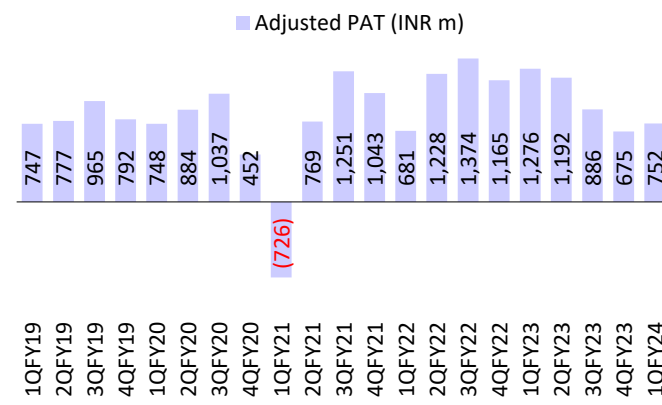
Source: Company, MOFSL

Exhibit 5: EBITDA down 9% YoY led by high employee costs



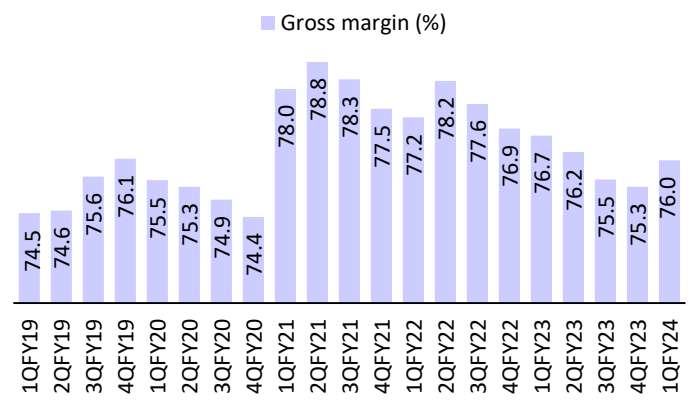
Source: Company, MOFSL

Exhibit 6: Adjusted PAT declined 41% YoY; margins at 5.7%



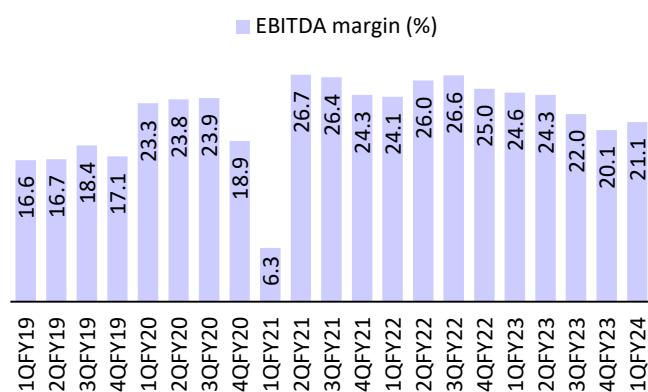
Source: MOFSL, Company

Exhibit 7: GM contracted by 70bp YoY; improved 70bp QoQ



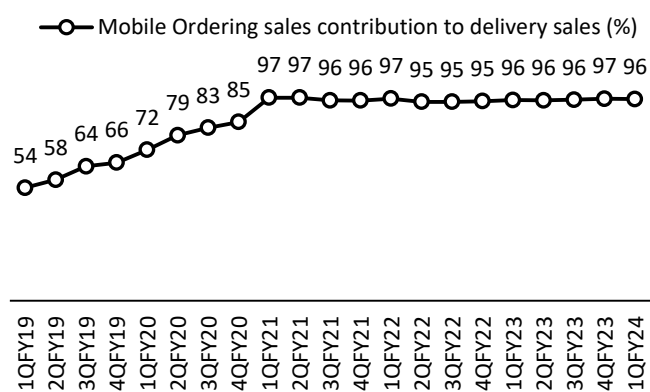
Source: MOFSL, Company

Exhibit 8: EBITDA margin contracted 350bp YoY



Source: MOFSL, Company

Exhibit 9: Contribution continued to inch up



Source: MOFSL, Company

Exhibit 10: We broadly kept our estimates unchanged

	FY24E	FY25E
Revenue (INR m)		
Old	55,741	63,577
Actual/New	55,741	63,577
Change (%)	0.0	0.0
Gross Profit (INR m)		
Old	42,307	48,645
Actual/New	42,307	48,645
Change (%)	0.0	0.0
Gross margin (%)		
Old	75.9%	76.5%
Actual/New	75.9%	76.5%
Change (bp)	0	0
EBITDA (INR m)		
Old	12,719	15,519
Actual/New	12,719	15,519
Change (%)	0.0	0.0
EBITDA margin (%)		
Old	22.8%	24.4%
Actual/New	22.8%	24.4%
Change (bp)	0	0
Net Profit (INR m)		
Old	4,227	5,702
Actual/New	4,195	5,647
Change (%)	-0.8	-0.9
EPS (INR)		
Old	6.4	8.6
Actual/New	6.4	8.6
Change (%)	-0.8	-0.9

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	55,741	63,577
Change (%)	16.8	18.0	10.2	-15.7	32.7	15.9	9.4	14.1
Material Consumed	7,660	8,861	9,835	7,262	9,899	12,272	13,435	14,932
Gross Profit	22,524	26,770	29,438	25,856	34,062	38,688	42,307	48,645
Gross Margin %	74.6	75.1	75.0	78.1	77.5	75.9	75.9	76.5
Operating expenses	18,123	20,773	20,682	18,144	22,974	27,096	29,588	33,125
EBITDA	4,401	5,998	8,756	7,712	11,088	11,592	12,719	15,519
Change (%)	82.5	36.3	46.0	-11.9	43.8	4.5	9.7	22.0
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	5,569	6,454
Int. and Fin. Ch.	0	0	1,652	1,627	1,761	1,951	2,073	2,100
Other Non-recurring Inc.	231	474	696	731	414	497	532	585
PBT	3,031	4,897	4,277	3,062	5,810	5,385	5,608	7,550
Change (%)	201.7	61.6	-12.7	-28.4	89.8	-7.3	4.1	34.6
Margin (%)	10.0	13.7	10.9	9.2	13.2	10.6	10.1	11.9
Tax	1,068	1,717	1,303	757	1,452	1,356	1,413	1,903
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	4,195	5,647
Change (%)	180.5	62.0	-6.5	-22.5	89.1	-7.6	4.1	34.6
Margin (%)	6.5	8.9	7.6	7.0	9.9	7.9	7.5	8.9
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	4,195	5,647

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	23,253	21,901
Net Worth	9,677	12,596	11,220	14,268	19,450	20,378	24,573	23,221
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	52,676	53,072
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	29,561	36,015
Net Fixed Assets	7,910	8,100	21,887	21,455	27,366	34,882	41,452	47,010
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	6,769	7,228
Inventory	642	771	947	1,331	1,612	1,770	1,840	1,432
Account Receivables	157	274	166	168	220	287	346	395
Cash and Bank Balance	1,290	4,943	6,559	5,392	5,634	2,569	3,279	3,941
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	9,068	10,377
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	6,170	6,899
Provisions	164	303	322	471	451	419	650	780
Net Curr. Assets	-2,184	1,015	2,757	743	1,258	-2,080	-2,299	-3,149
Appl. of Funds	9,708	12,631	28,038	30,567	40,612	45,915	52,675	53,072

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	6.4	8.6
BV/Share	14.7	19.1	17.0	21.6	29.5	30.9	37.2	35.2
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	69.2	81.8
Valuation (x)								
P/E	160.2	98.9	105.7	136.4	72.1	78.0	75.0	55.7
EV/Sales	10.3	8.6	8.3	9.7	7.3	6.5	5.9	5.3
EV/EBITDA	70.6	51.3	37.0	41.5	28.9	28.4	26.0	21.7
P/BV	32.5	25.0	28.0	22.0	16.2	15.4	12.8	13.5
Dividend Yield (%)	0.1	0.2	0.3	0.3	0.5	0.7	0.9	1.5
Return Ratios (%)								
RoE	20.3	25.2	26.5	16.2	22.4	19.8	17.1	24.3
RoCE	22.1	28.5	20.3	12.1	16.0	12.7	11.7	13.7
RoIC	30.6	50.4	27.7	14.8	23.9	17.5	14.7	16.3
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

Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	2025E
(INR m)								
OP/(loss) before Tax	3,031	4,897	4,028	3,062	5,633	4,887	5,608	7,550
Int./Div. Received	-120	-165	1,665	1,465	1,852	-205	-532	-585
Depreciation & Amort.	1,601	1,575	3,523	3,754	3,931	4,859	5,569	6,454
Interest Paid	71	256	454	414	294	-2,012	-2,073	-2,100
Direct Taxes Paid	1,262	1,779	1,402	869	1,410	1,263	1,413	1,903
Incr in WC	-912	14	82	-509	410	83	-929	-1,512
CF from Operations	4,091	4,256	7,278	7,506	9,300	10,262	12,234	15,129
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	5,595	8,116
Others	48	262	281	-2,850	-753	-3,777	121	168
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	-6,518	-2,115
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	-5,025	-5,370
CF from Fin. Activity	-347	-167	-4,614	-2,887	-3,066	-4,109	-5,007	-12,351
Incr/Decr of Cash	936	3,652	1,616	-1,167	242	-3,064	709	663
Add: Opening Balance	354	1,290	4,943	6,559	5,392	5,634	2,570	3,279
Closing Balance	1,290	4,943	6,559	5,392	5,634	2,570	3,279	3,941

E: MOFSL Estimates

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Explanation of Investment Rating	
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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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