

Retail Equity Research

Jubilant Foodworks Limited

Hotels, Restaurants & Leisure

BSE CODE: 533155

NSE CODE: JUBLFOOD

Bloomberg CODE: JUBI:IN

SENSEX: 82,135

ACCUMULATE

12 Months Investment Period Rating as per Mid Cap
CMP Rs. 651 TARGET Rs. 738 RETURN 13% ↑
(Closing: 29-08-24)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↓

Network expansion to drive growth

Jubilant FoodWorks Ltd (JFL) is an Indian operator of quick service restaurant brands. It is the franchisee of Domino's in India, Nepal, Sri Lanka and Bangladesh, and that of Dunkin' Donuts in India.

- JFL's standalone revenue rose 9.9% YoY to Rs. 1,440cr in Q1FY25, primarily driven by 8.5% growth in the Indian business of Domino's.
- EBITDA edged 0.6% higher YoY, whereas EBITDA margin narrowed 180bps YoY to 19.3% on account of higher other expenses, up 18.9% YoY in Q1FY25.
- JFL logged strong revenue growth, driven by the Indian business of Domino's, new store additions and market share gains. The company's strategic focus on innovation, operational efficiencies and cost optimisation further enhances its growth potential. Therefore, we upgrade our rating on the stock to ACCUMULATE, with a revised target price of Rs. 738 based on the sum-of-the-parts (SOTP) valuation.

Indian business of Domino's aids topline growth

JFL's revenue increased 9.9% YoY in Q1FY25 to Rs. 1,440cr, supported by an 8.5% rise in the Indian business of Domino's, which in turn, was driven by order growth of 16.0% YoY. Delivery channel revenue increased 15.7% YoY on account of LFL growth of 12.1% YoY. However, revenue from the Dine-in segment fell 5.7% YoY. Average daily sales of Domino's mature stores rose 3.0% YoY to Rs. 79,876, the highest in the last five quarters. During the quarter, Domino's opened 34 new stores. The total count of Domino's stores stood at 2,029 against 1,838 stores in Q1FY24. The company is serving 427 cities across India, having forayed into 33 new cities compared with the same period last year.

Higher other expenses dent EBITDA margin

EBITDA edged 0.6% higher YoY to Rs. 278cr owing to higher other expenses. Other expenses increased 18.9% YoY to Rs. 561cr, other expenses to sales ratio rose to 39% from 36% in Q1FY24. Resultantly, EBITDA margin weakened 180bps YoY to 19.3%. Profit after tax declined 31.5% YoY to Rs. 52cr on account of lower EBITDA and a 20.8% YoY surge in interest expenses to Rs. 62cr.

Key concall highlights

- Revenue from Domino's in Bangladesh increased Rs. 17cr, up 42.2% YoY, aided by accelerated network expansion and launch of new products. Revenue from Sri Lanka was up 17% YoY to Rs. 17.4cr.
- The delivery channel mix of the Indian business of Domino's expanded to 68.9% from 64.3% in Q1FY24, reflecting a shift towards delivery-based sales.

Valuation

The company recorded robust revenue growth, driven by the domestic business and addition of new stores, and market share gains. The company's strategic emphasis on driving value and acquiring new customers through innovation across its portfolio, spanning both value and premium segments, underscores its commitment to sustainable growth. Continuous service improvements through technology and operational enhancements, expansion into new location, and a focus on optimising costs to expand margins, collectively reinforce the company's growth potential. Thus, we upgrade our rating to ACCUMULATE on the stock, with a revised target price of Rs. 738 based on the SOTP valuation.

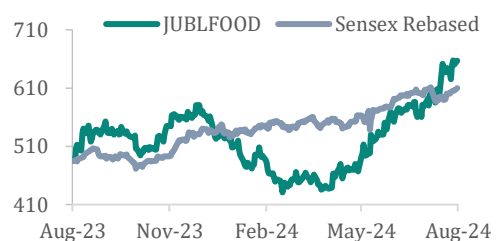
Company Data

Market Cap (cr)	Rs. 43,619
Enterprise Value (cr)	Rs. 43,522
Outstanding Shares (cr)	66.0
Free Float	58.0%
Dividend Yield	0.2%
52 week high	Rs. 668
52 week low	Rs. 421
6m average volume (lacs)	34.8
Beta	0.4
Face value	Rs. 2

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	41.9	41.9	41.9
FII's	27.8	23.2	20.4
MFs/Insti	22.1	26.1	29.9
Public	6.7	6.9	6.0
Others	1.5	1.8	1.8
Total	100.0	100.0	100.0
Promoters' pledge	0.8	5.0	5.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	34.6%	36.8%	36.4%
Absolute Sensex	8.4%	11.8%	25.9%
Relative Return*	26.2%	25.0%	10.5%

*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Sales	5,341	6,035	6,759
Growth (%)	4.8	13.0	12.0
EBITDA	1,094	1,286	1,450
EBITDA Margin (%)	20.5	21.3	21.5
Adj. PAT	246	276	377
Growth (%)	(39.0)	12.3	36.7
Adj. EPS	3.5	4.2	5.7
Growth (%)	(39.0)	12.3	36.7
P/E	145.8	157.9	115.6
P/B	15.4	18.2	16.5
EV/EBITDA	31.1	33.8	30.0
ROE (%)	10.6	11.5	14.3
D/E	0.0	0.0	0.0



Quarterly Financials (Standalone)

Profit & Loss Account

Rs. cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Revenue	1,440	1,310	9.9	1,331	8.1
EBITDA	278	276	0.6	254	9.4
EBITDA margins	19.3	21.1	(180bps)	19.1	20bps
Depreciation	155	133	16.8	151	2.7
EBIT	123	144	(14.3)	103	19.2
Interest	62	51	20.8	61	1.7
Other Income	7	9	(19.9)	9	(14.9)
Exceptional Items	-	-	-	(12)	-
Share of profit from Associate	-	-	-	-	-
PBT	68	101	(32.6)	39	76.1
Tax	17	26	(35.8)	13	27.6
Reported PAT	52	75	(31.5)	26	101.0
Minority Interest	-	-	-	-	-
PAT att. to shareholders	52	75	(31.5)	26	101.0
Adjustments	-	-	-	12	-
Adj. PAT	52	75	(31.5)	38	36.9
No. of shares	66.0	66.0	-	66.0	-
Adj. EPS (Rs.)	0.8	1.1	(31.5)	0.6	36.9

Sum of the parts (SOTP) valuation

Particulars	Basis	Base	Multiple	% holding	Value (Rs. cr.)	Value/share (Rs.)
Standalone	FY26E EV/EBITDA	1,450	31.5x	100%	45,687	692
DP Eurasia N.V. (DPEU)	FY26E P/S	1,938	1.4x	100%	2,713	41
Domino's Bangladesh	FY26E P/S	71	1.5x	100%	107	2
Domino's Sri Lanka	FY26E P/S	73	2.5x	100%	183	3
Total					48,690	738

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	6,263	7,265	6,035	6,759	(3.6)	(7)
EBITDA	1,431	1,696	1,286	1,450	(10.1)	(14.5)
Margins (%)	22.8	23.3	21.3	21.5	(150bps)	(180bps)
Adj. PAT	429	566	276	377	(35.6)	(33.3)
Adj. EPS	6.5	8.6	4.2	5.7	(35.6)	(33.3)

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	4,331	5,096	5,341	6,035	6,759
% change	32.5	17.7	4.8	13.0	12.0
EBITDA	1,105	1,159	1,094	1,286	1,450
% change	44.1	4.9	(5.6)	17.5	12.8
Depreciation	383	475	568	670	684
EBIT	722	684	526	616	767
Interest	173	195	224	266	282
Other Income	33	3	16	26	28
PBT	582	492	318	375	512
% change	88.3	(15.5)	(35.3)	17.8	36.7
Tax	144	136	84	99	135
Tax Rate (%)	24.8	27.6	26.5	26.3	26.3
Reported PAT	438	356	234	276	377
PAT att. to common shareholders	438	356	234	276	377
Adj*	7	47	12	-	-
Adj PAT	445	403	246	276	377
% change	90.4	(9.4)	(39.0)	12.3	36.7
No. of shares (cr)	66.0	66.0	66.0	66.0	66.0
Adj EPS (Rs.)	6.6	5.4	3.5	4.2	5.7
% change	90.4	(9.4)	(39.0)	12.3	36.7
DPS (Rs.)	1.2	1.2	1.2	1.4	1.9

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	820	832	802	946	1,061
Non-cash adj.	139	220	234	184	200
Changes in W.C	(35)	0	(26)	23	29
C.F. Operation	925	1,052	1,010	1,153	1,291
Capital exp.	(377)	(771)	(805)	(875)	(946)
Change in inv.	(179)	151	167	(0)	(15)
Other invest.CF	23	20	9	9	10
C.F - Investment	(534)	(600)	(629)	(867)	(951)
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	(79)	(79)	(79)	(94)	(128)
Other finance.CF	(345)	(368)	(269)	(168)	(180)
C.F - Finance	(424)	(447)	(348)	(261)	(307)
Chg. in cash	(33)	5	34	25	32
Closing cash	541	233	72	97	129

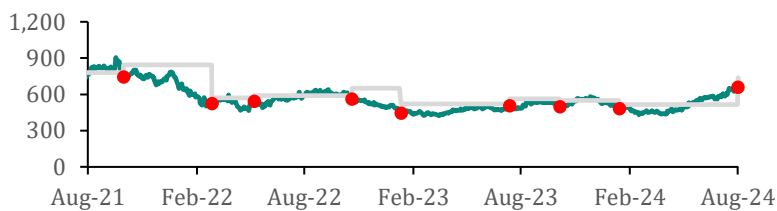
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	541	233	72	97	129
Accounts Receivable	27	33	58	69	81
Inventories	157	170	263	296	337
Other Cur. Assets	173	218	192	182	173
Investments	855	680	665	669	687
Gross Fixed Assets	4,446	5,373	6,406	7,281	8,227
Net Fixed Assets	2,630	3,296	3,962	4,199	4,504
CWIP	39	159	91	101	108
Intangible Assets	60	135	179	185	190
Def. Tax (Net)	57	78	87	95	105
Other Assets	194	249	271	316	354
Total Assets	4,733	5,251	5,840	6,209	6,669
Current Liabilities	906	1,006	1,154	1,242	1,349
Provisions	-	-	-	-	-
Debt Funds	-	-	-	-	-
Other Liabilities	1,766	2,099	2,474	2,573	2,676
Equity Capital	132	132	132	132	132
Reserves & Surplus	1,929	2,014	2,080	2,262	2,512
Shareholder's Fund	2,061	2,145	2,212	2,394	2,644
Minority Interest	-	-	-	-	-
Total Liabilities	4,733	5,251	5,840	6,209	6,669
BVPS (Rs.)	31	33	34	36	40

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	25.5	22.7	20.5	21.3	21.5
EBIT margin (%)	16.7	13.4	9.8	10.2	11.3
Net profit mgn.(%)	10.1	7.0	4.4	4.6	5.6
ROE (%)	21.2	16.6	10.6	11.5	14.3
ROCE (%)	35.0	31.9	23.8	25.7	29.0
W.C & Liquidity					
Receivables (days)	2.3	2.4	4.0	4.2	4.4
Inventory (days)	58.8	50.6	76.2	77.0	77.5
Payables (days)	198.4	163.5	186.2	184.1	181.7
Current ratio (x)	1.0	0.7	0.5	0.5	0.5
Quick ratio (x)	0.7	0.4	0.2	0.2	0.2
Turnover & Leverage					
Gross asset T.O (x)	1.1	1.0	0.9	0.9	0.9
Total asset T.O (x)	1.0	1.0	1.0	1.0	1.0
Int. coverage ratio (x)	4.2	3.5	2.3	2.3	2.7
Adj. debt/equity (x)	-	-	-	-	-
Valuation					
EV/Sales (x)	7.9	5.7	6.4	7.2	6.4
EV/EBITDA (x)	31.0	25.2	31.1	33.8	30.0
P/E (x)	79.5	82.7	145.8	157.9	115.6
P/BV (x)	16.9	13.7	15.4	18.2	16.5

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
24-Mar-22	HOLD	570
3-Jun-22	HOLD	590
15-Nov-22	BUY	650
6-Feb-23	BUY	520
8-Aug-23	BUY	563
1-Nov-23	HOLD	550
9-Feb-24	HOLD	516
30-Aug-24	ACCUMULATE	738

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/Neutral

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/Neutral:** 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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