

Sector	Restaurants
Recommendation	BUY
Upside	25%

Jubilant Foodworks | CMP: ₹ 3510-3540 | Target: ₹4400

### Stock Data

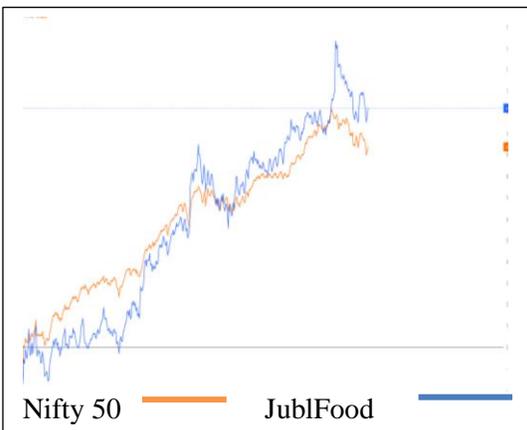
Sensex	56319
52 Week h/l (₹)	4,590/2,543
Market cap (`Cr)	45,296
BSE code	533155
NSE code	JUBLFOOD
FV (₹)	10.0
Div. yield (%)	0.17%

### Shareholding Pattern

	Mar-21	Jun-21	Sep-21
FII+DII	52.23	52.35	52.27
Government	41.94	41.94	41.94
Others	5.83	5.71	5.79

Source: www.bseindia.com

### Share Price Data



### Profile

Jubilant FoodWorks is the largest player in the organised pizza market, with 60%+ market share. It is the exclusive franchisee for Domino's Pizza for the India, Sri Lanka, Bangladesh and Nepal geographies (valid until 2024). The company has 1,100+ stores (largely company owned and in Tier I cities) spread across 260+ cities in India. Jubilant also owns the franchise to operate Dunkin' Donuts' stores in India. Currently, it has 37 Dunkin' stores and is focusing on improving profitability in this format.

### Investment Rationale

**Growth was led by the convenience channel:** Jubilant FoodWorks reported results above our estimates with 37% sales growth. SSS growth at 26% on a low base, with sales per store up 26% YoY, the delivery and takeaway channels grew 36.8% and 72.2%, respectively, over pre-Covid levels. However, dine-in was still sluggish and has recovered to 46.9% of 2QFY20. Operational stores were almost at 95%, with a noticeable uptick in demand compensating for the lost operational hours from stores that were closed. An encouraging recovery was seen in order counts, now close to pre-Covid at the system level. Management states that dine-in normalisation will help in this recovery and growth, going forward. While ticket sizes saw a reduction as dine-in opened up, it is still higher than pre-Covid due to increased delivery charges and higher mix of delivery. Company expects the delivery share to remain higher vs pre-Covid levels, leading to higher ticket sizes on a sustainable basis.

**Margins would sustain going forward:** Ebitda margin remained strong at 26% and, going forward, margins should improve on account of positive operating leverage, higher investments behind consumer experience and competitive headwinds could put downward pressure. On gross margin, the company stated that food & commodity inflation would be mitigated by price hikes taken earlier this year, along with productivity improvement in delivery and manpower. Moderation in dairy prices sequentially will also ease margin pressure. While there is still room for further price hikes, the company will treat it as a last resort.

Analyst – Sanjiv Bhasin  
Jayesh Bhanushali

research@iifl.com  
21st December, 2021

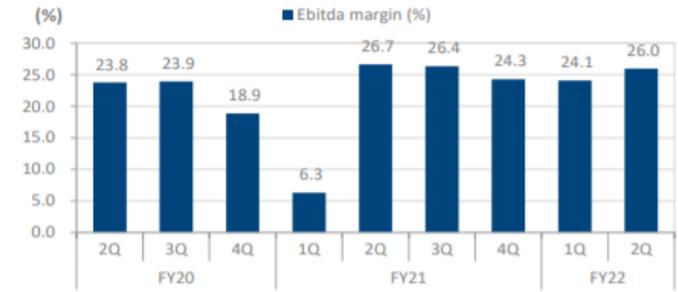
**Abundant room exists for store expansion:** While 46 of 55 stores were opened in cities where they were already present, the company also entered 9 new cities. This indicates potential for growth in both, newer locations as well as existing cities like Mumbai, Delhi, Chennai, etc. Company is on track to open 150-175 new stores in FY22. Company is committed to growing Domino's as a multi-brand and multi-country business, with the potential of opening up to 3,000 Domino's stores across the country over the medium-to-long term. Management indicated encouraging customer response seen in Tier 2-3 and smaller towns this quarter, across the delivery, dine-in and takeaway channels where people wait for new brands to make an entry.

**Company is on track to open 150-175 new stores in FY22**



Source: Company, IIFL Research

**Ebitda margins are expected to remain stable going ahead**



Source: Company, IIFL Research

**Increase in orders:** There was an increase in the number of orders being delivered within 20 minutes (a KPI of the company) on account of tighter geographies and reduced store areas. Rental concessions due to Covid are easing, as the situation normalises and, eventually, concessions should go away. Hong's Kitchen saw encouraging SSS growth and order count. The brand will be extended in the NCR in coming quarters, with its value proposition lying between Chinese street-food and fine-dining space. Company is laying emphasis on premiumisation and personalisation of menu options which will also contribute higher ticket sizes going forward.

## Risks

**New Covid wave: Lockdowns related to new wave of covid due to increase in new omicron variant cases could have an impact on the operations of the company.**

## Outlook & Valuation:

Jubilant FoodWorks (JUBI) reported results above our estimates with 37% sales growth (SSS growth at 26%), as strength in delivery and takeaway (sales up 37% and 72%, respectively vs 2QFY20) offset a muted sluggish dine-in, with 95% stores operational for the quarter. Ebitda margin remained strong at 26% and, going forward, management stated that gains via operating leverage (as dine-in recovers) and productivity improvement along with recent price hikes taken would help sustain margins despite inflationary pressure. An encouraging recovery was seen in order counts, now close to pre-Covid levels with ticket sizes declining as dine-in reopens. Ticket sizes should, however, remain higher than pre-Covid levels, as delivery contribution increases on a steady-state basis. The Company is on track to add 150-175 new Domino's outlets in FY22 and plans to ramp up newer formats like Hong's Kitchen outside NCR. This is in line with its goal of becoming a multi-brand/country business, with emphasis on premiumisation and personalisation.

Even though valuation is not cheap, we remain positive on JUBI, given benefits from industry consolidation in the wake of Covid-19 and a superior app/delivery model vs. peers. We maintain BUY with a target price of Rs. 4,400/share

## Financial Summary

Consolidated (INR in mn)	FY20	FY21	FY22ii	FY23ii	FY24ii
Revenues	38,858	32,689	44,275	56,561	66,310
Revenue growth (%)	10.1	-15.9	35.4	27.8	17.2
EBITDA margin (%)	22.6	23.5	25.6	26.7	27.1
PAT	3,432	2,763	5,100	6,976	8,432
ROE (%)	24.5	17.4	27.7	31.8	30.7
P/B (x)	44.2	35.0	27.7	21.4	16.7
EV/EBITDA (%)	58.9	67.5	45.2	33.4	27.7
Net Deb/Equity	(0.6)	(0.4)	(0.8)	(0.8)	61.2

## DISCLAIMER

### Recommendation Parameters for Fundamental/Technical Reports:

Buy – Absolute return of over +10%

Accumulate – Absolute return between 0% to +10%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

Please refer to <http://www.indiafoline.com/research/disclaimer> for recommendation parameter, analyst disclaimer and other disclosures.

Investments in securities market are subject to market risks, read all the related documents carefully before investing. There is no assurance or guarantee that the investment objectives shall be achieved. IIFL does not guarantee any assured returns on the investments recommended herein. Past performance of securities/instruments is not indicative of their future performance. IIFL makes no representation/s or warranty/is, express or implied, as to the accuracy, completeness or reliability of any information compiled herein, and hereby disclaims any liability with regard to the same, including, without limitation, any direct, indirect, incidental or consequential loss. You shall verify the veracity of the information on your own before using the information provided in the document. Investors are requested to review the prospectus carefully and obtain expert professional advice. IIFL group, associate and subsidiary companies are engaged in providing various financial services and for the said services (including the service for acquiring and sourcing the units of the fund) may earn fees or remuneration.

IIFL Group | IIFL Securities Ltd., IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane - 400604. CIN: 99999MH1996PLC132983 Tel.: (91-22)2580 6650. Customer Service: 40071000. Stock Broker SEBI Regn: INZ000164132. NSE: 10975 BSE: 179 MCX: 55995 NCDEX:

01249 Depository: INDP1852016. MF Distributor ARN: 47791. PMS SEBI Regn.: INP000002213. Investment Adviser SEBI Regn. INA00000623. Research Analyst SEBI Regn: INH000000248. Loan products are offered by IIFL Finance Ltd. & IIFL Home Finance Ltd. Kindly refer to [www.indiafoline.com](http://www.indiafoline.com) for detailed disclaimer and risk factors.

For Research related queries, write at [research@iifl.com](mailto:research@iifl.com)

For Sales and Account related information, write to customer care: [cs@iifl.com](mailto:cs@iifl.com) or call on 91-22 4007 1000